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# SWEDEN COUNTRY STUDY

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# Labour Market Changes and Welfare Perspectives in Europe



## Workpackage 2: Sweden country report

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# Sweden Country Study

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# Sweden Country Study

## *Preface*

The country study on Sweden is carried out considering that the Swedish model shows very peculiar aspects in the relation to the labour market, as well as to the welfare state. From this point of view, it is interesting to compare the Swedish scenario with the situation of the other countries analysed within the LAW project.

Chapter 1, analysing the labour market, illustrates, as the objectives of Lisbon's strategy with regard to employment, have been implemented and sometimes exceeded, showing a particularly high level of women's employment and participation.

In regards to the welfare state, the study analyses the composition of the social expenditure that in Sweden is, along with that of Denmark, the highest in Europe and within all OECD countries. That is considered a remarkable exception, given the general tendency to shrink social expenses in order to reduce the tax rate. From this point of view, Sweden indicates that it is possible to reconcile a high level of welfare expenditure along with a high competitiveness in relation to the global markets.

Albeit the high level of employment and the widespread welfare, some groups have to be considered at risk, given that their activity and employment rate is significantly lower than the national average. Chapter 2 examines these groups, drawing a particular attention to long-term sick workers, immigrants, the young, older people and people with disabilities. And it also points out that the Swedish government considers these groups at risk of exclusion and intends to implement measures to increase their participation in labour market, aiming to avoid that Social security assistance becomes the only source of income for those who receive it.

Concerning ICT development, Sweden, as it is known, is placed amongst the top IS ranking countries, and Chapter 3 shows that ICT plays an important role in improving social provisions. To closely observe the progress made in this field, two cases are examined, such as the model of the e-prescription and the 24/7 Agency project, which is considered an important piece of platform aimed to make Sweden the first country to become a true information society for the benefit of all its citizens.

## Chapter 1

# A comparative analysis of the Labour Market

### The high employment and activity rates

A country study on Sweden must take into account the very peculiarities of its labour market and welfare state. Under many profiles Sweden offers a benchmark for European Union. If we consider the objectives of Lisbon's strategy with regard to employment, we can find out that the country has already implemented ( sometimes exceeded) them.

#### Employment rate - Sweden-EU15 1997-2004

	Sweden			EU-15		
	Totale	M	F	Totale	M	F
<b>1997</b>	69.5	71.7	67.2	60,7	70.7	50.8
<b>1999</b>	71.7	74.0	69.4	62,6	72.1	53.0
<b>2001</b>	74.0	75.7	72.3	64,1	73.2	55.0
<b>2003</b>	72.9	74.2	71.5	64.4	72.7	56.1
<b>2004</b>	72.1	73.6	70.5	64,8	72,7	57.0

Source Eurostat

Beginning with the analysis of the labour market, we will on one hand point out its main characteristics, on the other we will compare them with the data concerning the countries which are the subject of the research within the LAW project.

The first main remarks concern the overall participation (activity) rate and women's employment. Activity rate – the sum of employed and unemployed people seeking work - was 77.3 per cent of the working age population in 2003. This level is remarkably higher than the EU average (EU15: 70.0; EU25 69.3 percent). But the most relevant data concerns activity rate of women that reaches 75.4 per cent in comparison with 61.5 in EU15.

#### Sweden activity rate

	1999			2001			2003		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
<b>Sweden</b>	76.8	79.4	74.2	77.9	79.9	75.7	77.3	79.2	75.4
<b>EU-15</b>	68.6	78.1	59.1	69.2	78.3	60.2	70.0	78.5	61.5
<b>EU-25</b>	68.3	77.4	59.3	77.3	68.7	60.2	69.3	77.4	61.2

Source Eurostat

## Unemployment rate

Given the high rate of participation in the labour market, we can observe over time a relatively high level of unemployment (6.3 in 2004). But also in this case it is worth to remark that the female unemployment is slightly less than men's unemployment.

### Unemployment rate 1997-2004

	1997			1999			2001			2004		
	Total	M	F	Totale	M	F	Totale	M	F	Totale	M	F
<b>Sweden</b>	9.9	10.2	9.5	6.7	6.6	6.8	4.2	5.2	4.5	6.3	6.5	6.1
<b>EU-15</b>	9.8	8.4	11.8	8.5	6.4	10.3	7.2	6.1	8.7	8.1	7.1	9.3

Source Eurostat

Unemployment is clearly linked to the economic growth performance, as we can see, looking at the dynamics over a number of years. In 1997 the unemployment rate was close to 10 per cent, stepping down to 4.2 in 2001 and growing again until 6.3 per cent in 2004.

Long-term unemployment is remarkably minor than the EU15 average and that of women is particularly low.

### Long-term unemployment rate 1997-2004

	Sweden			EU-15		
	Total	M	F	Total	M	F
<b>1997</b>	3.1	4.0	2.0	4.8	3.9	5.9
<b>1999</b>	1.9	2.2	1.4	3.9	3.2	4.8
<b>2001</b>	1.0	1.2	0.8	3.1	2.5	3.8
<b>2003</b>	1.0	1.2	0.8	3.3	3.5	3.9
<b>2004</b>	1.2	1.4	1.0	3.4	3.6	4.0

Source Eurostat

The unemployment rate of the young is relatively high, partly due to the time spent in studying, but the government is committed to increase the number of working young.

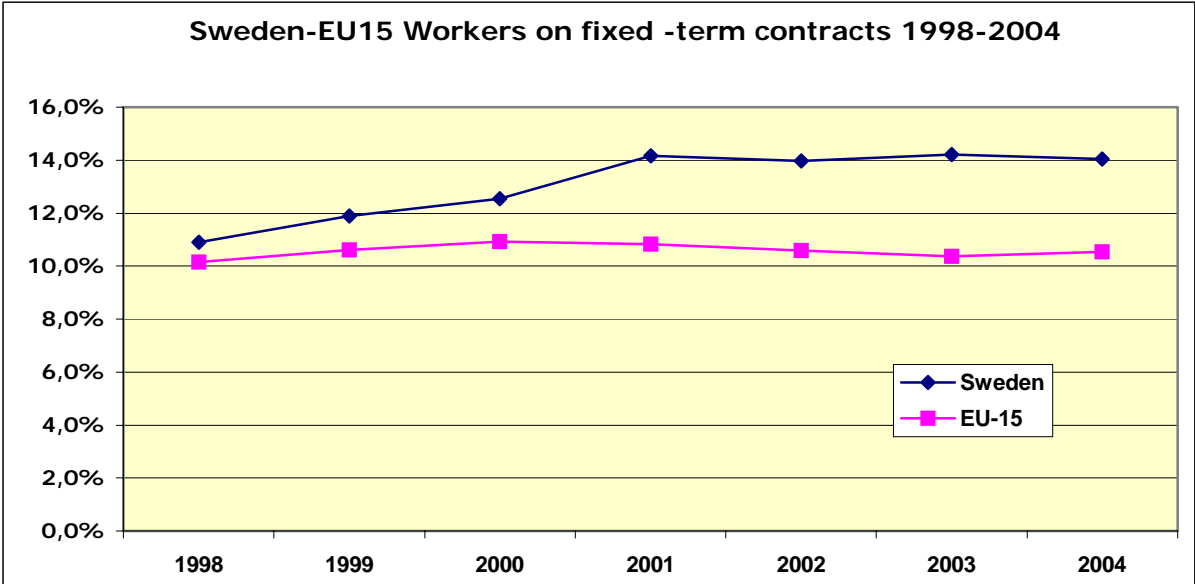
### Unemployment rate by age group - 2003

	Total	Men	Women
<b>16-64</b>	4.9	5.3	4.4
<b>16-24</b>	10.2	11.3	9.0
<b>25-54</b>	4.3	4.6	3.9
<b>55-64</b>	4.1	4.8	3.4

Source, European Commission

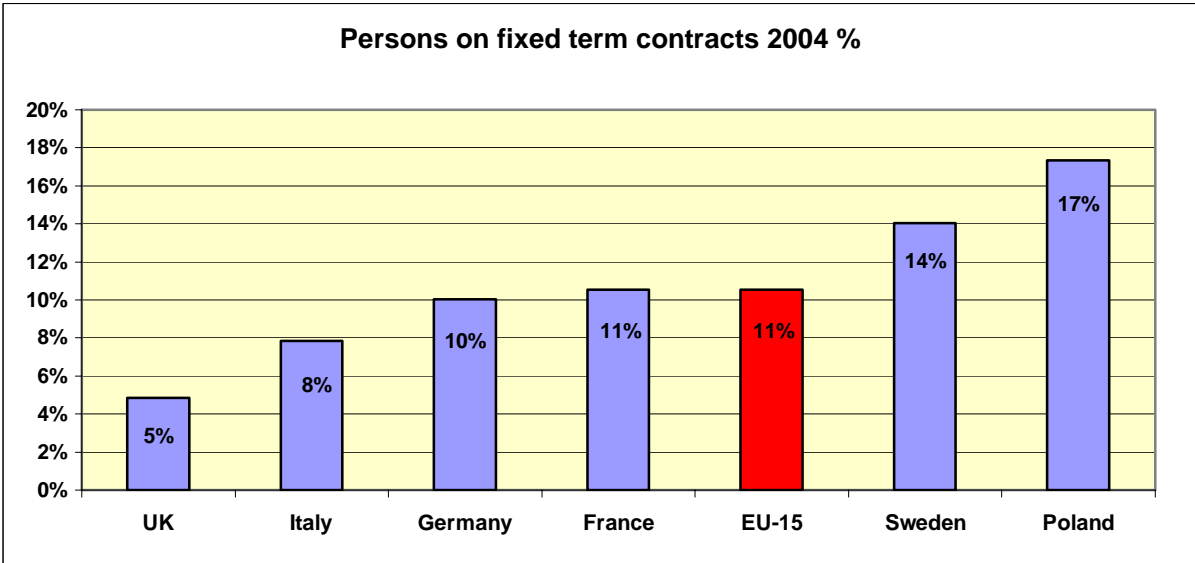
### The a-typical work

As the composition of the labour force is concerned, we can observe that during the last years of the past decade, there has been a remarkable increase of workers on fixed-term contracts. During the period 1998-2001 this kind of flexible contracts increased by almost 40 per cent to 14 per cent, remaining at that rate during the following years.



Source, Eurostat CISS's calculation

This level (14%) is significantly higher in relation to the EU15 average (11%) and the other countries analysed in our project, with the exclusion of Poland. However, analysing this kind of contracts which generally are a source of precariousness, it is worth to take into account some other aspects.



Source, Eurostat CISS's calculation

First of all, employment protection rules: in those countries where job protection is scarce or inexistent, in so far firing a worker is not difficult, employers are not particularly interested in using fixed term contracts. Secondly, the risk linked to precariousness is more or less high in relation to the overall level of unemployment and to the chance of finding a new job in a relatively short time. Finally, the degree of hardship for individuals is linked to the rules of unemployment benefits (eligibility, duration, and entity of the benefit).

**Sweden- Part time work (% of total work force)**

	2000			2004		
	Total	M	F	Total	M	F
Sweden	22.8	10.7	36.3	23.9	12.4	36.4
EU-15	17.9	6.3	33.6	19.5	7.2	35.3

Source Eurostat, 2005

Part time work in 2000 was close to 23% , remaining substantially stable reaching in 2004 23.9%. It is however interesting to point out that the female percentage has remained stable during these last years (2000-2004) to around 36%, while the men's percentage has a slight, but continuous growth from 10.7% to 12.4%.

During the same period, the overall involuntary part time work is close to 22 %. It means that this form of flexibility of the labour market has the approval of about 80 per cent of the work force engaged in part time jobs.

In other terms, it is necessary, in order to evaluate the problems stemming from labour market flexibility, to take into account the welfare state organization, as we are going to do in the next chapter.

# Chapter 2

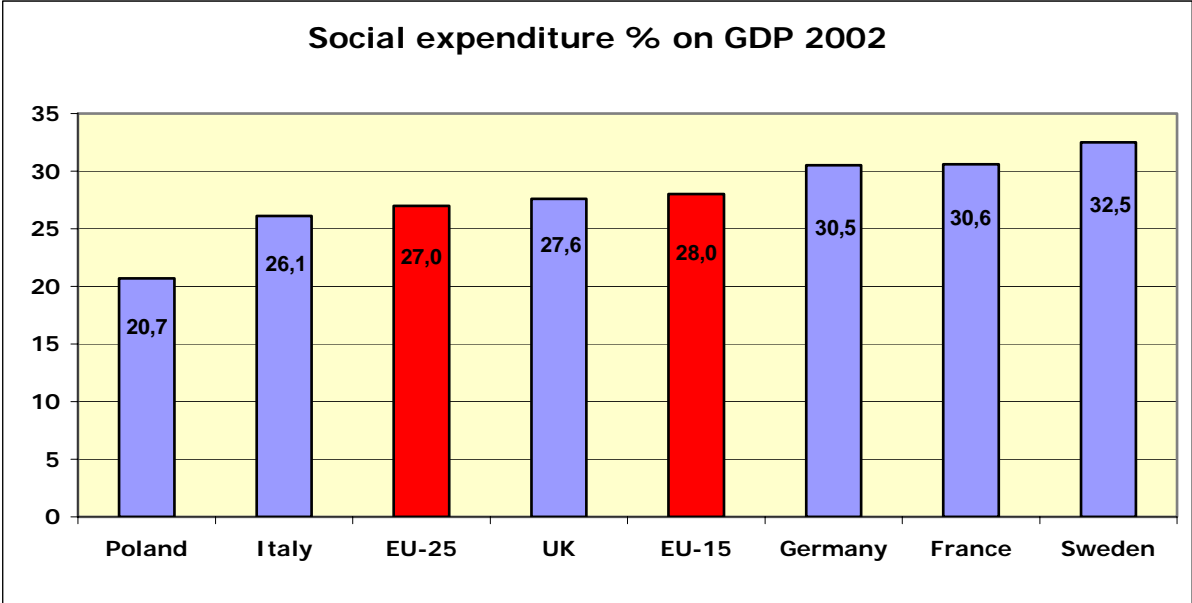
## Welfare state and groups at risk

### The high social expenditure

The social expenditure in Sweden is, along with that of Denmark, the highest in Europe and within all OECD countries. That is considered a remarkable exception, given the tendency to reduce social expenses in order to reduce in parallel the tax rate. According to the widespread line of thought, a high social protection is in contrast with flexibility in the labour market, heading to a minor activity and employment rate. As we have noticed, this is not the case for Sweden, as far as it demonstrates the highest rate of activity and also of employment within the EU.

In regards to the high level of taxation, conventional wisdom suggests that it should be in contrast with a sound and competitive economy. But also, from this standpoint, Sweden shows that it is possible to reconcile a high level of taxation and a high level of welfare expenditure, along with a constant surplus of the public budget balance, nonetheless with a high level competitiveness in the global markets.

However, it is important to note that during this last decade, the welfare state of Sweden has been subject to important modifications in critical fields such as the health care system and, accompanied with a radical reform of the pension system. We will examine closely these two aspects of the welfare system, given that of the importance that they deserve in the European debate.



Source Eurostat, 2005

## **The Health Care System and groups at risk**

The health care system is based on the principle that the provision and financing of health services for the entire population is a public sector responsibility. Three political and administrative levels operate in Sweden: central government, county council and local authority (municipality). All these institutions play important roles in the welfare system and are represented by directly elected political bodies that have the right to finance their activities by levying taxes and fees.

Central government establishes basic principles for the health services through laws and ordinances, being more interested in the results and performance of services than on how they are organised. County councils are responsible for providing health services and for striving to achieve a good standard of public health. Patients can choose their health centre and/or family doctor and even which hospital they wish to attend. If a patient wishes to receive medical care at a hospital outside the county council in which he or she lives, he/she can, generally, go directly to the hospital without going via the primary services.

### ***Maternity, child care, elderly and disabled people***

A particular care is focused towards maternity and children, on one hand, and to elderly and disabled, on the other. Children's clinics provide vaccinations, health checks and consultations as well as certain types of treatment free of charge to all children under of school age. Maternity clinics, staffed by midwives and doctors, are attended by expectant mothers for regular check-ups, which are free of charge during the entire pregnancy. District nurses give medical treatment, as well as advice and support, both at their own surgeries and on home visits.

By adapting housing, using technical aids, and providing medical services and nursing in the homes of patients, it has become easier for the elderly and the disabled to remain in their own homes. People in nursing homes and those living in service apartments have access to nursing services 24 hours a day. All medical treatment for children and the young under 20 is free of charge.

One category of health care, namely the domestic care of elderly and disabled people, is the responsibility of local authorities (municipalities) rather than the county councils. Local authorities are also obliged to pay for patients whose hospital treatment had been concluded, but who have to remain in hospital because the local authority cannot offer them a place in, for example, a nursing home. Local authorities are, similarly, responsible for living arrangements, employment and support services for people suffering from long-term mental illness.

### ***How the system is financed***

Sweden's costs for its health services amounted to SEK 178 billion (€18.87 billion) in 2000, a figure which includes pharmaceutical preparations and dental care. This corresponded to 8.5% of GNP. Services provided or financed by the county councils accounted for some 80% of this figure. The county councils are entitled to levy a proportional tax on the income of their residents, the average tax rate being 10%. Other important revenue sources are grants and payments for certain services received from central government, in total 19%. Patient fees amount to 4% of county council revenue.

County council revenues, and thus the funding of the health services, have diminished in recent years due to reductions in the tax base. To counteract this, the county councils reduced their expenditure in real terms by 1.5% per year during the 1990s. Patients spend less time in hospital and receive more outpatient care. In the late 1990s, it became increasingly common for county councils to put care services out to tender. The amount of care supplied by private providers rose from a very small percentage in 1990 to 9% of total county council expenditure in 2000.

### ***Patient fees***

Those entitled to use the Swedish health services at subsidised prices are all residents of Sweden regardless of nationality, as well as patients seeking emergency attention from EU/EEA countries, and some other countries with which Sweden has a special agreement.

The fee charged for a stay in hospital is SEK 80 per day (€8.48). Each county council sets its own fees for outpatient care. The fee for consulting a doctor in the primary health services varies from SEK 100 to SEK 150. The fee for consulting a hospital consultant or a doctor in private practice ranges from SEK 180 to SEK 300. (€19.08 to €31.80)

To limit personal expense there is a high-cost ceiling. A patient who has paid a total of SEK 900 (€ 95.42) in patient fees is entitled to free medical care for the rest of the twelve-month period, calculated from the date of the first consultation. As we have seen, all medical treatment for children and the young under 20 is free of charge.

## The unemployment insurance

All insurance systems contain strong elements of universality. The Swedish unemployment insurance breaks with this tendency because the model on which it is based continues to be voluntary and state-subsidised. This is also reflected in the administration of the system. Unlike other social insurance schemes in Sweden, this one is not administered by the state or local social insurance offices, but by member funds, usually affiliated to a trade union and supervised by the AMS (National Labour Market Board), a semi-public labour market body. Trade union membership entails compulsory membership of an unemployment fund, though the opposite is not necessary. About 90 % of all employees belong to an unemployment fund.

The voluntary insurance system is financed in part (about 7% of costs) by individual membership fees. The rest of the financing comes from government budget appropriations. For those who fulfil a number of qualifying requirements the income-related voluntary benefit pays a maximum of SEK 730(€75) per day for the first 100 days (dependent on previous income) and thereafter a maximum of SEK 680 (€70). The period for which compensation can be paid is 300 days, with the possibility of a further 300-day extension.

In relation to the ceiling on the maximum level of unemployment benefit, and the consequent concern for better-paid workers, the Swedish Confederation of Professional Associations (SACO) launched a supplementary unemployment insurance scheme for its members, which will cover their real loss of income in the event of unemployment.

The alternative, state-funded basic benefit for those who have not been paying into a voluntary scheme gives a maximum of SEK 320 (€ 32.8) per day.

The unemployment insurance system is currently being debated, and the main proposed changes to the are as follows:

1. In order to receive unemployment benefit, job-seekers must cooperate with the labour market authorities in establishing an individual action plan, a contract specifying the kind of jobs regarded as suitable for the job-seeker, whose sphere of job-seeking will be widened as the period of benefit payment lengthens;
2. A new form of support for the long-term unemployed is being introduced, known as the "activity guarantee" (aktivitetsgaranti). The aim is to give people unemployed for over 24 months, and those who risk becoming so, better chances of finding a job;

3. Job-seekers who run the risk of becoming long-term unemployed will, within 27 months, be offered a full-time activity within the "activity guarantee" scheme. The same will apply to part-time workers who want more working hours;
4. Rules on sanctions will be changed. In principle, this means that job-seekers who have not cooperated with the authorities will have their daily allowance reduced according to certain conditions. Job-seekers who refuse to accept a job offer will have their daily allowance reduced. The third time that an offer is refused, benefit payments will be stopped.

Looking at the Swedish unemployment protection scheme, it is apparent that the original reason for having a voluntary system, based on the idea of offering "help to help oneself", is closely linked to the strategic objective: of strengthening the incentive for trade union membership. The advantages of such a system are that the trade union organisations are given greater scope to take a wider social responsibility and to contribute to the re-employment of the unemployed. The disadvantage is that unemployed people cannot count on being covered by the type of general system that is strongly characteristic of other parts of the present Swedish social insurance system.

## **The Family policy**

Swedish family policy is based on the principles of universality and individual rights.

It comprises:

- child and family benefits,
- parental insurance,
- high quality day-care.

Traditionally, services provided by the Swedish social security system have been universally available. This still applies to support to families with children. Sweden has a generous system of parental insurance, comprehensive school and child day-care. The majority of families with children in Sweden have two incomes. Most single parents are gainfully employed. Benefits that encourage work and make working possible thus tend to be more important than the level of child allowance. This must be borne in mind when comparisons are made with countries where there are more families living on a single income.

Family financial support to families is aimed at reducing disparities in living conditions between households with children and those without.

Social insurance is financed by contributions from employers and employees and taxes. The Swedish Social Insurance Agency is the authority ultimately responsible for implementation and distribution of family benefits.

### ***Child and family benefits***

The provisions for children and, indirectly for families reaches remarkable high standards. The provisions take into account the family's income, guaranteeing adequate help. The provisions cover children from the moment they are born until high school. There are also different kinds of provisions for family with children: nearly 30 % of Swedish households with children receive housing allowance.

Temporary parental benefit is payable to parents who are caring for a sick child aged up to 12, and in certain cases up to 16. 120 cash benefit days per year are available at 80 % of qualifying income. It is worth to remark that there has been a steady increase in the use of long periods of leave after a child is born by fathers, both in the number of days and the proportion of leave. In 2004, fathers accounted for around 48 % of all days claimed. This is an effective option for a two-income family, as it enables both mother and father to combine family commitments with work outside the home. Pre-schools are available to children aged from one up to six.

Both educational activities and practical care are provided. Children attend pre-schools either full time or part time according to parent's working hours. Schoolchildren, aged from six up to twelve years, can attend after-school centres staffed by recreation instructors. Like pre-schools, they provide a combination of educational activity and practical care. Parents pay a monthly charge. However, the local municipality must charge fees for the pre-school service at a maximum rate of three, two and one per cent, respectively of a household's income (before tax) for the first, second and third child in the family.

## Child and family benefits

Child allowances	Housing allowance for households with children	Maintenance support	Allowance for sick and disabled children	Parental insurance
<p>Child allowances are paid to all children.</p> <ul style="list-style-type: none"> <li>• Basic child allowance SEK 950/month(€100.75) for children under the age of 16</li> <li>• Extended child allowance SEK 950 per month (€100.75) for children aged 16 or over and attending secondary school</li> <li>• Additional child allowance for families with three or more children. A supplement of SEK 254/month (€26.92) is paid for the third child, SEK 760/month (€80.58) for the fourth child and SEK 950/month(€100.75) for the fifth and any further children</li> <li>• Student grants SEK 950/month (€100.75) payable for ten months a year, for children attending upper secondary school (high school).</li> </ul>	<p>Housing allowance is means-tested and has two components. The first is housing-cost related. The second is related to the number of children in the household. Nearly 30 % of Swedish households with children receive housing allowance.</p>	<p>Maintenance support for a child with parents who are separated is paid to the custodial parent at a rate of 173/month (€18.34). Parents liable for maintenance must repay the State. The amount to be repaid is linked to the income and total number of children of the parent liable for maintenance. The custodial parent's income is of no significance in this context.</p>	<p>Parents of sick and disabled children are entitled to an allowance to enable them to take care of their child.</p>	<p>Parental insurance comprises three kinds of cash benefits.</p> <p><u>Pregnancy benefit</u> is payable to expectant mothers. It is paid for a maximum period of 50 days at 80 % of the mother's qualifying income.</p> <p><u>Parental benefit</u> in connection with child birth or adoption is payable for a period of 480 days as follows:</p> <ul style="list-style-type: none"> <li>• 390 days at 80 % of the parent's qualifying income</li> <li>• 90 days at a universally applicable flat rate of SEK 60/day (€6.36).</li> </ul> <p>Parents on low income or no income at all receive a minimum guaranteed benefit of SEK 180/day (€19.09).</p>

Temporary parental benefit	"Dad's days"	Active fathers	Child-care	Maximum fees for pre-school and school-age childcare
<p>Temporary parental benefit is payable to parents who are caring for a sick child aged up to 12 and in certain cases up to 16. 120 cash benefit days per year are available at 80 % of qualifying income.</p>	<p>The father of a new-born child is entitled to 10 days temporary parental benefit on the birth of his child..</p>	<p>There has been a steady increase in the use by fathers of the long periods of leave after a child is born, both in the number of days and the proportion of leave. They also make extensive use of the option to take parental leave when a child is sick.</p>	<p>Child-care services in Sweden are distinguished the principle of universal availability. Pre-schools are for children aged from one up to six years. Schoolchildren aged from six up to twelve years can attend after-school centres.</p>	<p>To be eligible for the special government grant, the local municipality must charge fees for the pre-school service at a maximum rate of three, two and one per cent, respectively of a household's income (before tax) for the first, second and third child in the family. Fees may not exceed SEK 1 260 (€ 133.71) per month for the first child, SEK 840 (€ 89.17) for the second and SEK 420 (€44.57) for the third child.</p>

## The Reformed Pension System

The analysis of the new reformed Swedish pension model will result particularly interesting in comparison with the current debate inside the EU. In 1998 one of the most radical reforms within Europe was introduced. With regards to the countries examined in the LAW project, we can observe that the scheme is fundamentally similar to that adopted in Italy in 1995 and in Poland afterwards.

### *From the old to the new system*

The Swedish pension system had been for long the paradigmatic example of the social-democratic model with a universal coverage of the old age risk. It was based on flat-rate pensions covering the entire population (not only the working class), financed through taxes. The system had two components. The first part was the basic pension (FP), which was available to everyone regardless of contributions paid.

In addition, a second, earnings-related supplementary pension (ATP) was available. This supplementary pension provided old-age benefits linked to each worker's earnings history.

The new Swedish system is based on three different pillars. The first (state and mandatory) pillar is the centre of the new model; the second pillar consists of a supplementary collective, private funded schemes; the third is a voluntary individual funded scheme.

### *Three pillars*

The first pillar is financed through contributions corresponding to 18.5% of the pension able income, paid by employees and employers in an equal measure, and it consists of three different tiers, which we will analyse onward.

The second pillar is represented by supplementary and quasi-mandatory funded pension. In addition to the government pay-as-you-go programs, nearly all Swedish workers are also covered by some type of employer-provided pension. These are occupational schemes based on collective agreements and covering around 90% of employees. The contribution level is usually between 2% to 5% of wages. The financing method can be of a defined-contribution and/or a defined-benefit type. However, after the pension reform, with the exception of the pension plan for workers in the public sector, almost all of these plans are switching to a defined

contribution format. In 2000, occupational pensions accounted for 17% of total pension spending.

The third voluntary and private pillar is a voluntary accumulation for old-age to pension funds or insurance companies. Its' growth is favoured by tax incentives. In 2000 it represented 4% of total pension spending.

### *The first pillar*

Among the three pillars, the first state and mandatory pillar, is the core of the Swedish reformed system. It is made up by three tiers, which we will briefly examine.

The first tier is financed through contributions paid by employees and employers. These contributions amount to 18.5% of contributions on the pensionable income. 16% is used for the pay-as-you-go first tier programme, with a 'defined-contribution' benefit formula. Contributions are virtually accumulated and attributed a rate of return, based on per capita wage growth. The retirement age is flexible with a minimum age of 61 years and a maximum age of 67.

The second tier of the public system is the so-called Premium Pension Scheme. According to this scheme, workers are able to invest the remaining 2.5% of total contributions (out of 18.5%), in individual accounts. This slice of the resources is still compulsory and collected by public authorities (the National Tax Board). Then, these resources are given to private managers that receive public authorisations. Workers that do not choose a fund will have their money invested, by default, in a government fund that will be weighted toward a low-risk, low-return assets.

Aside these two tiers, the public system comprehends a universal and basic tier: that is the Guaranteed Pension (GP) (the zero tier). This safety net is a flat-rate benefit based on 40 years of residence for people over 65, and financed through taxes. It is also linked to the earnings-based pension: only those who do not have right to an income pension, in fact, can receive the GP at its maximum level. For people having the right to an income pension below the fixed guaranteed level, the GP represents a supplement. Resources for the Guaranteed Pension are from the state budget.

It is worth to note that the most important change within the reform concerns the first tier. In other terms, instead of providing a predetermined retirement benefit based on number of years in the workforce and earnings history, the new system provides benefits

based on the amount of contribution paid during the entire worker's career. It is important to note that, because the calculations are based on life expectancy, the longer a worker stays in the workforce, the larger the annuity received.

This reform is expected to discourage workers from retiring early, given the substantial penalty that workers face for retiring early, and the bonus they receive for retiring later in life. In fact, a worker will reach the full pension, if he retires when is 65 years old. Retiring at 61 (with an equal amount of contributions) the benefit will be reduced of about 30 per cent, while retiring at 67, it will be increased of about 20 per cent. This is a remarkable difference when compared to the old system, where the old-age benefits were based on a worker's 15 highest-earning years.

Workers can continue working while receiving a pension. They can choose to receive a partial pension (25 percent, 50 percent, or 75 percent of the amount they would receive, depending on their age), a feature that is particularly attractive to workers who wish to withdraw gradually from the labour force. Once they choose full retirement, workers receive a recalculated full pension according to their age and the size of their notional account.

Workers who leave the workforce to care for children are credited with contributions to their account.

The adjustments for inflation may be greater or lesser than the inflation rate, depending on whether real wage growth is higher or lower than 1.6 percent.

As a result of the reform, public pension spending is expected to increase at a slow pace in the future: from 9 % of GDP in 2000 to 10.7% in 2050.

So, from the point of view of the long term financial sustainability the Swedish pension system seems particularly balanced and stable. In terms of financial viability, the new system in fact is defined to maintain the contribution level constant at 18.5% of revenues, while the level of benefits is adjusted to eventual deterioration of demographic and economic factors. The buffer fund gives a further contribution to reduce financial imbalances.

Other resources for income-related public schemes are collected by National Tax Board.

### *The social adequacy problem*

There is, however, a problem from the perspective of social adequacy. In fact, the system is able to guarantee old age needs

when a high level of contributions has been cumulated during the working life. This is the case of a worker who retires at 65 years old with a full career of 40 years. This is a radical difference with the old system, when old-age benefits were based on a worker's 15 highest-earning years. Now if, on the contrary, we consider a career made up by intermittent work, such as period of part time, fixed term contract, period of unemployment, then the revenue will be proportionally diminished, with a consequent risk of inadequacy. It is worth to add that an inadequacy problem affects particularly low-income employees and people in need, because of the indexation to prices (and not to wages) of the basic Guaranteed Pension.

Because of low wages and interrupted work history, some workers earn modest incomes during their careers. Many of these workers will reach retirement with small private retirement accounts and notional accounts. To ensure that pension reform does not adversely affect these people, the new pension system guarantees an adequate old-age income for all Swedes. For a single retiree, the guaranteed pension is about \$ 9,000 per year. A married couple, meanwhile, receives about \$16,000. This means-tested benefit is phased out according to the income available from the notional account and the private account. The means-testing rules that govern the guaranteed pension are relatively generous, to the extent that about 40 percent of workers are projected to receive at least some income from the safety net program.

In conclusion, the system shows its limits (as it is the case for similar reforms in Italy and Poland), in relation to the configuration and dynamics of the labour market. And also in this case the group at risk are mostly those who suffer the precariousness offered by the new features of the labour market.

## Annex 1 Institutional structure of the Swedish Pension System

		Risks	Particip.	Access	Benefit structure	Financing	Administ.	Collectors and Providers
<b>1<sup>st</sup> Pillar</b>	<b>2<sup>nd</sup> Tier</b>	Old-age, Disability, Survivorship	Compulsory.	Contrib.	Contributions related	Contribution; Funded	State Private Managers	State
	<b>1<sup>st</sup> Tier</b>		Compuls.	Contrib.	Contributions related	Contribution; PAYG (DC)	State	State
	<b>Guaranteed Pension</b>		Compuls.	Citizenship and Need	Flat-rate and means-tested	Taxation; PAYG	State	State
<b>2<sup>nd</sup> Pillar (Occupational Schemes)</b>		Old-age	Quasi-Mandatory	Contrib.	Contributions related	Contribution; Fully-funded	Private Companies	State/Private funds
<b>3<sup>rd</sup> Pillar (Individual Schemes)</b>		Old-age	Voluntary.	Contrib.	Contributions related	Contribution; Fully-funded	Licensed Private Life Insurance Companies Banks	Private Companies

### Groups at risk

Albeit the high level of employment in relation to EU, some groups show a level of labour participation significantly lower than the average. The Swedish government considers these groups at risk of exclusion and intends to implement measures to increase their participation to the labour market, aiming also to fulfil the national target of 80% regular employment for people aged 20–64. (The employment rate in terms of this target was around 77 % in 2004).

A parallel goal is to avoid that social security assistance becomes the only source of income for those who receive it. Actually, one-third of recipients of social security assistance, however, entirely lack income from work. The aim is to reduce dependence on social security assistance by giving all individuals of working age a means of supporting themselves.

Some groups are, under this point of view, subject of to specific attention and policies: long-term sick workers; immigrants, young and older people. The measures concerned are those aimed at increasing scope and quality

in the education system; improving integration of immigrants in the labour market; reducing unemployment periods; making it easier for older people to work longer, and for people with disabilities to obtain and retain jobs; and reducing absence due to sickness.

### ***People on sick leave***

The aim is to address the rising number of people on long-term sick leave by promoting work-oriented solutions and improving conditions of work. In 2004, a total of 6% of the labour force were on long-term sick leave: 4% of these were women and 2% men. 60% of the recipients of sickness allowance in 2003 were due to women and 40% to men.

The Government's strategy to halve by 2008 sickness absence focuses partly on prevention of ill-health at the workplace and partly on enabling people on sick leave to return to work promptly. One key issue is that of creating clear economic drivers for both prevention and rehabilitation, and also improving efforts to achieve a healthy work environment. Another important issue is the return to work on a part-time basis.

### ***Immigrants***

Although the average foreign-born residents in Sweden has a high level of educational attainment and knowledge of several languages, employers more often choose to recruit people born in Sweden. Moreover, many of the foreign-born are forced to take jobs far below their qualification level. In 2003, the labour force participation rate of foreign-born women was 63.2%, while that of women born in Sweden was 78%. The corresponding figures for men were 70.8% and 81% respectively.

The objective of the government is to increase the supply of trainee positions and combat discrimination against immigrants. It is worth to note that in order to implement this objective, an important agreement has been set between the National Labour Market Board, Swedish Integration Board, Swedish Migration Board, National Agency for Education and Swedish Association of Local Authorities for coordinated efforts aimed at strengthening collaboration between the actors concerned.

The collaboration between the actors concerned has become more effective in terms of putting the skills of newly arrived immigrants and asylum seekers to use at an early stage. The expansion of supplementary training courses for people with foreign degrees shows a relevant positive effect. The most recent reports show that of those who had attended vocational training, some 70% were in work three months after completing their courses.

At the same time, specially trained employment officers are supporting immigrants who need to find jobs and establish themselves in the labour market. Underlining the importance of the immigrants' role within the

Swedish society and the labour market, the Government intends to submit two communications to the Parliament: one on the reception and induction of refugees and other newly arrived immigrants, with an increased focus on employment; and one on improved teaching of Swedish for immigrants.

The Government has also assigned two special investigators to identify and report facts about structural discrimination due to ethnic or religious affiliation, and also to propose measures to combat such discrimination.

### ***Young people***

Between 1990 and 2003, the employment rate for this group fell by 21 percentage points for women and 20 for men to only 57% and 61% respectively. One reason is that a growing number of people choose to study – young women more than young men. Young people's entry into the labour market is thus delayed. However, unemployment among young women and men has risen, and a substantial group of young people are inactive, i.e. neither employed nor seeking work, nor studying.

### ***Older workers***

The objective is to implement measures to provide incentives and make it possible for older people to remain at work longer, inducing employers to recruit older people to a larger extent. The employment rate in this age group is around 53 per cent for women and 60 for men.

The risk for older workers prematurely outside the labour market has become remarkable after the pensions' reform. The new system is, indeed, based on the principle of 'lifetime Income (and contribution)'. This means that every Krona paid into the system in the form of a pension contribution confers the same pension entitlement.

Whether a worker leaves labour market, before reaching a full amount of contribution, the benefit should be proportionally reduced, incurring in the risk of an insufficient pension and, therefore, a risk of poverty in its old age.

A remedy is supplied by the possibility to adopt a partial retirement: It is possible, in fact, to take out between a quarter and the whole of old-age pension from the age of 61, while continuing to work and earn new pension rights.

### ***People with disabilities***

The Swedish Government carries out biennial surveys of the labour-market situation for people with disabilities.

Jobseekers with disabilities are given priority in terms of general labour market policy measures. Of registered jobseekers, 9% had occupational disabilities during 2003 (9% of women and 8% of men), while the proportion with disabilities of those attending a programme dependent on

the economic cycle was considerably larger at 20% (21% women and 19% men).

The proportion of people with occupational disabilities who attended labour-market oriented training in 2003 was 11% (11% women and 10% men).

This should be compared with the proportion of people with occupational disabilities among jobseekers registered during the same period, which was 8% (with no marked gender differential).

Payroll grants are the primary form of subsidised employment for people with disabilities. A monthly average of some 53,000 employees take part in the programme, and in the first half of 2004 men predominated (61%). This applies particularly to jobs in individual companies (70%), which are the most rapidly growing category among employers who offer positions supported with payroll grants.

Among the special measures implemented for people with disabilities, there are some state-owned enterprise (Samhall is Sweden's largest one), which have the task of providing of sheltered employment for disabled people.

It is also important the role of social enterprises in order to create workplaces for those who are hardest to place in the labour force. The experience shows that enterprises in the area of social economy have proved successful in integrating the most vulnerable groups into the labour market.

### ***Undeclared work***

The term 'undeclared work' refers to earned income that has not been declared, i.e. earnings in the 'black' (or 'informal') economy. The consequence is the lack of any protection in terms of fair compensation, job security, work environment and so forth.

According to the Swedish Tax Agency a conservative estimate puts the size of the informal sector at 4.5% of GDP. Undeclared work principally concerns household services in private homes, as well as repairs and maintenance activities in private buildings.

A National Tax Board survey of 2001 showed that more young women and men, on the one hand, and older men on the other, admit that they have worked on an informal basis. 8% of the males and 3% female respondents stated that they had worked informally over the past year. In the 18–24 age group, 11% stated that they had worked informally, while the figure for older workers is lower: only 2% in the 55–64 age group.

In relation to undeclared work, the Government is focusing mainly on two types of measures. One is to work for more effective use of the control instruments that counteract undeclared work. The other is to clarify the risks of being excluded from the regular systems in terms of, for example,

labour law, health and safety at the workplace, and pension entitlement. These measures are helping to bring about attainment of the goals of full employment and social cohesion, while also promoting quality and productivity at work.

### **Persons living on Social Security 2000-2004**

Number of full-year equivalents aged 20-64, (in thousands)

	<b>2000</b>	<b>2002</b>	<b>2004</b>
<b><i>Sickness benefits</i></b>	219	270	225
Disability pensions	370	407	449
Unemployment compensation	216	160	229
Labour market programmes	109	113	96
Income support	101	86	97
<b>Sum</b>	<b>1015</b>	<b>1036</b>	<b>1096</b>

Source, Ministry of Finance, Sweden, 2005

According to the Ministry of Finance, more persons will be living on social benefits this year (forecast for 2005 is 1097 total) than at any time in the past seven years with a slight increase for 2005. The number receiving labour market benefits and income support is increasing because of deterioration of the labour market. It is also evident that there is an interaction between benefits related to ill health and those related to the labour market.

# Chapter 3

## E-government and social security provisions

### Introduction

As it is known, Sweden is placed amongst the top IS ranking countries, as it is demonstrated by statistics concerning Internet usage, e-commerce, telecommunications infrastructure, broadband and wireless subscribers, education levels. In this context, , according to government’s declared policy, the end goal is the achievement of an "Information Society for all".

The Swedish Government is determined to accelerate the development of e-government. To enable this process, it is powering up its management framework to bring the Swedish Administration into the digital age.

In order to do this, Sweden has in the past adopted projects for the technological development of the P.A. through:

- re-engineering of public administration with assistance of IT;
- open and secure electronic infrastructure to improve the exchange of information;
- information management – policy;
- legal and managerial issues.

**Sweden e-ranking**

	Category weight			
World Ranking		1. Denmark	2. US	<b>3 Sweden</b>
Overall score		8.74	8,73	<b>8,64</b>
Connectivity	0.25	8.20	7.65	<b>7.80</b>
Business environment	0.20	8.58	8.57	<b>8.41</b>
Consumer and business adoption	0.20	8.85	9.80	<b>9.10</b>
Legal and policy environment	0.15	8.65	8.41	<b>8.57</b>
Social and cultural environment	0.15	9.60	9.20	<b>9.60</b>
Supporting e-services	0.05	9.25	10.00	<b>9.25</b>

Source, Economist Intelligence Unit, 2005

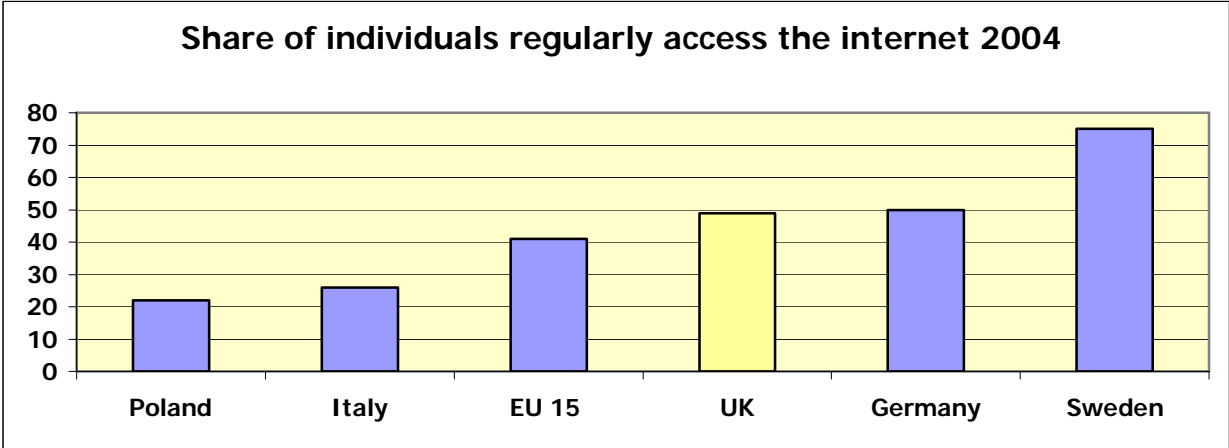
A second important aspect of Sweden’s IT landscape is the existence of numerous databases or registers that are available, subject to approval under Sweden’s Data Protection Statute. Typically, each database or register supports a specific application of IT; e.g. registering motor vehicles or collecting taxes, but they are also used as infrastructure information resource for external agencies, organisations, or even the business community at large.

Each person born in Sweden is assigned a unique personal identifier and persons who immigrate must apply for one. However, the last and more innovative project planned by the Swedish government is the 24/7 Agency: as we will see later, that is an information technology that enables the State to create a society whose agencies are always open to the public, making public administration more public-oriented, and open agencies round the clock, seven days a week, at times when people need to access to services, which is not always in normal office hours. It will entail changing the citizen's way of thinking; how the p.a. organizes itself and the services it provides, in particular seeing Public Administration from the users' point of view.

**Portion of individuals interacting with public authorities 2004 (%)**

	<b>Obtaining information</b>	<b>Obtaining forms</b>	<b>Sending filled forms</b>
<b>Sweden</b>	90	87	53
EU-15	43	40	26
EU-25	45	41	29

Source, Eurostat, 2005



Source, Eurostat, 2005

## **e-Government Services for Citizens**

The Swedish Government elaborated three other aims to achieve. First of all, implementing an interoperability framework for electronic communications and services between public authorities as well as between the authorities and the citizens.

Secondly, to develop institutions necessary for secure identification. Sweden seeks to establish a solution in co-operation with the private market so that citizens can use the same certificate for all kinds of e-services. A framework agreement has been reached with several banks and other actors offering services for electronic signatures, and a new round of framework agreements is in the pipeline.

Thirdly, remove legal obstacles to electronic communication. The Government has undertaken a review of all laws, which prescribe written procedures of one kind or another. The aim of this review is to promote the use of electronic documents and electronic signatures by identifying and eliminating unnecessary legal requirements for written procedures.

The e-government services in welfare currently being provided by the Swedish public authorities are the following:

- *Job Searchers by labour Offices*
- *Social Security Contributions*
- *Enrolment in Higher Education*
- *Health-related services (e.g. appointments for hospitals)*

For each service, the sophistication stage reached is indicated, with reference to the maximum stage possible for the service.

- Stage 1 - Information: online information about public services
- Stage 2 - Interaction: downloading of forms
- Stage 3 - Two-way interaction: processing of forms, including authentication
- Stage 4 - Transaction: full case handling, decision and delivery (payment)

### ***1. Job Searches by labour Offices***

Fully functional job search facility. Job seekers can browse offers and post their CVs, employers can post offers and browse applicant's CVs'.

There is also a portal called the Joint public sector jobs portal for Scandinavian countries. According to official statistics, Danes, Norwegians and Swedes are among the people in Europe who move the most across borders to live and work. They mention healthcare and higher education as examples of sectors where there are good opportunities for finding

work in other Nordic countries and where there are few obstacles to mobility.

A web service has now been launched to help them find work in the public sector of the three countries.

Three linked websites, [www.statsjob.dk](http://www.statsjob.dk), [www.statsjobb.no](http://www.statsjobb.no), and [www.statsjobb.se](http://www.statsjobb.se), enable users to search and advertise public sector jobs in Sweden, Norway and Denmark. Public sector employers can advertise positions on all three sites, and employees can search for positions in all three countries. The Swedish and Danish sites are each reaching about 50,000 visitors per month.

## **2. Social security benefits**

### *a. Unemployment Benefits*

Sophistication stage: 4/4

The Swedish unemployment insurance scheme has two components: a fixed basic benefit for all workers, administered by the ALFA fund, and a voluntary income-related benefit administered by non-governmental, non-profit Unemployment Insurance Funds. There are 37 funds in Sweden, sometimes linked to workers' unions, which have 3.8 million members (both employees and self-employed workers). Most funds have online application and benefits cards systems.

### *b. Family allowances*

Sophistication stage: N.A.

This service is not relevant for Sweden. Child allowances are paid automatically by the Social Insurance Agency as soon as the child is born and until he/she reaches the age of 16.

## **3. Enrolment in higher Education/university**

Sophistication stage: 4/4

The Agency is commissioned to conduct coordinated admissions to educational programmes at universities and university colleges.

### *Student grants*

Sophistication stage: 2/4

The Swedish National Board of Student Aid (CSN) is the national authority that handles financial aid for students –grants and loans – in Sweden. Its website provides information and application forms to download, as well as access to personal account (payments, debt etc.). An online application system is currently being implemented

## **4. Health related services** (interactive advice on the availability of services in different hospitals; appointments for hospitals)

Sophistication stage: 0/4

There is no integrated health information and services portal in Sweden. However, an online service has been developed by the Government and

the County Councils (which are responsible for healthcare services) to provide information about waiting times for treatments in different hospitals. Most regional authorities offer patients the opportunity to ask for health advice by e-mail. Some health centres in the regions also accept appointments and cancellations online.

*Medical costs (reimbursement or direct settlement)*

Sophistication stage: N.A.

This service is not relevant for Sweden. Patients do pay the full cost of healthcare treatment but only a non-refundable patient charge. The Social Insurance Agency compensates healthcare professionals directly for the remaining costs.

## e-Government Services for Businesses

### Social contribution for employees

Sophistication stage: 4/4

Online submission application and online payment system for tax and social security contributions.

### Registration of a new company

Sophistication stage: 4/4

Joint online service from the Swedish Companies Registration Office and the National Tax Board. Registration forms can be filled in and sent electronically, with e-identification.

### Submission of data to statistical offices

Responsibility: Central Government, Statistics Sweden

Sophistication stage: 3/3

Information and forms related to inquiries are available online. Data for some inquiries can be submitted online

## **First Case study: 24/7 Agency**

The 24/7 Agency concept was introduced in the action programme "Public Administration in the Service of Democracy", which was presented in 2000 and aims to make Sweden the first country to become a true information society for the benefit of all its citizens.

This challenging the "24-hour public administration" calls for new ways of working and new ways of structuring public services. The overriding goal is this: all government services which can be delivered electronically should be delivered electronically, so all citizens could be offered new opportunities, being aware that for the users to be able to choose e-services, the system must have a design and a language that facilitates access for everyone. The related objective is that citizens and businesses should always be able to use single points of access, regardless of how the responsibility is divided between different parts of the public sector, also bearing in mind that Swedish public administration is highly decentralised with a high degree of autonomy.

Beyond improved service delivery and greater efficiency, however, the key objective of implementing the 24/7 Agency is intended to enhance democracy and make sure that everybody can benefit from e-government, taking into account that there are and always will be groups of people that for some reason cannot use or access ICT.

By and large, this approach has proven quite successful and has made possible a rapid development of e-services. But it's also true that it has resulted in an uneven development, with some parts of the public administration making very rapid progress while others are lagging somewhat behind. The new strategy of the Government is to significantly strengthen the management framework for e-government. It intends to combine the advantages of Swedish decentralised model with a more central co-ordination.

In the end, the ultimate objective, in the Swedish ICT development, it is buttressing e-services utilization and. at the same time, encourage and support democratic inclusion and participation".

## **Second case study- E prescriptions**

According to recently published statistics, more than a million e-prescriptions were sent by doctors to Swedish pharmacies in March. 45% of all prescriptions are now sent electronically, up from 32% in September 2004 and 9% in November 2001.

All Swedish pharmacies have the technical equipment to receive e-prescriptions. The County Councils are working on spreading the use of the system among doctors. The statistics show that in March this year, the

amount of electronically transferred prescriptions increased in 18 out of the 21 County Councils. However, there are big differences between the Councils. Electronically transmitted prescriptions already represent 80% of all prescriptions in some of them.

A survey performed in the County of Stockholm as part of [e-recept Stockholm](#), a cooperation project between the [Stockholm County Council](#) and Apoteket, has shown that patients are also very satisfied with the e-service. Out of the 1,568 customers surveyed, 95% said they wanted to use the service again. The Council has set a target of 100% electronic prescriptions.

One of the most important steps is to introduce electronic patient records that can be accessed and used by the whole health care sector across the country. Electronic health care records are already widely used in Sweden – more than 90% of general practitioners use them – but they have been developed at organisation level and do not widely communicate with each other.

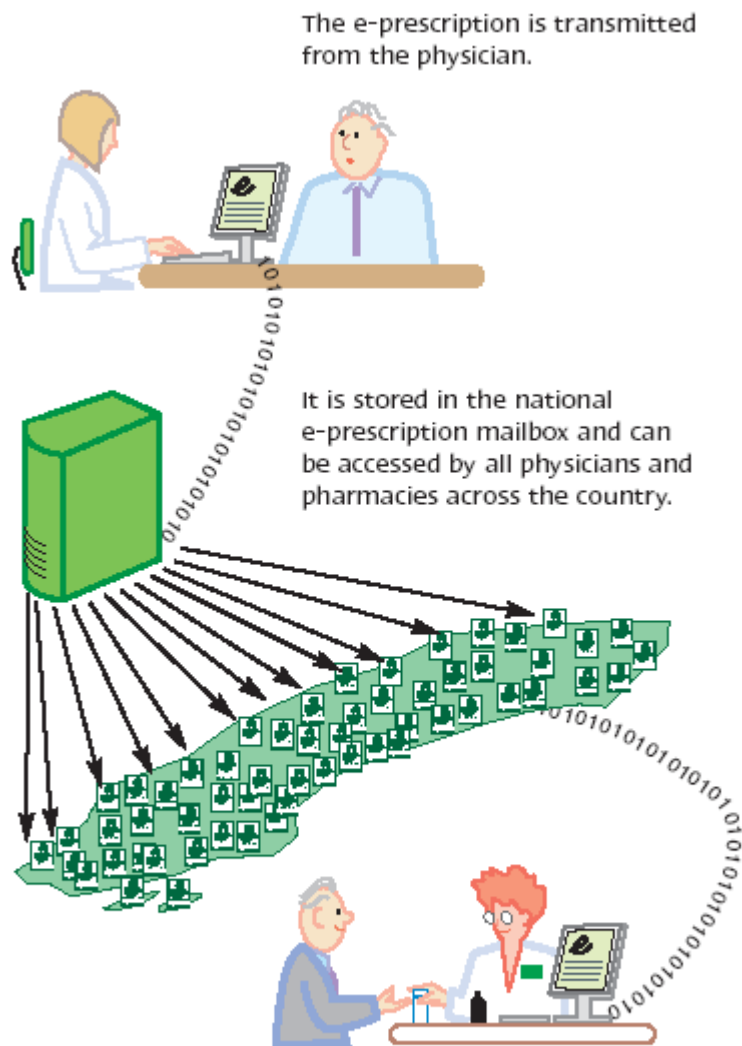
The implementation of e-prescriptions (electronically transmitted prescriptions) in Stockholm is carried out through a close collaboration between the Stockholm County Council and Apoteket AB, the only national chain of pharmacies in Sweden. Many health care services in Stockholm already use e-prescriptions and the implementation is still ongoing. Today, the patients get all iterated prescriptions printed on paper, which they re-use to purchase the rest of the prescribed medication. In the near future, the patient will be offered the option to leave the prescriptions to be stored electronically in the e-prescription mailbox throughout their validity and dispensed at any convenient time and pharmacy throughout Sweden.

More than 1 million e-prescriptions are transmitted each month in Sweden.

There are two clear factors of success which have strongly contributed to the high use of e-prescriptions: the national e-prescription mailbox, and a structured implementation strategy, which has been tested on a large scale in the Stockholm County Council, and now used in other parts of the country.

#### The strategy basis: a joint venture

The basis of the strategy is a joint venture project between the county council and Apoteket AB (Swedish Pharmaceutical Company). Initially, the joint venture project does a risk and utility analysis from a present situation description, and clarifies the aim and division of responsibility. The joint venture project - with multi competent members - is a central support function in the local introduction.



### Conclusions

Swedish public administration is in the process of a radical transformation. Information technology is both a prerequisite for this process and an important component of it. The modernisation of public administration is a long-term task, requiring tenacity and creativity. Sweden is now embarking on a new phase in the development of e-government. A high level commission to step up the development of e-services, an interagency board for creating an interoperability framework

The overall objective is that Households and businesses in all parts of Sweden should have access to high speed IT infrastructure within the next few years.

In conclusion, the provision of online public services irrespective of time, geographical location and the actual provider, is now seen as crucial to keep Sweden at the forefront of the IT literate nations. It is also seen as a major factor of economic competitiveness, both internally and on export markets as innovative e-government solutions will increasingly become attractive to other countries.

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