

Social insurance in Sweden



Social insurance in Sweden

Background

Social insurance provides financial security in the event of illness and disability, to the elderly and to families with children. It does not cover health care or unemployment. In Sweden, social insurance is individually based and includes both income-related benefits and basic protection in the form of universal benefits and means-tested benefits. Income-related benefits compensate the loss of income when individuals are unable to support themselves by working as a result of, for example, illness or caring for a child at home. Universal benefits are paid to everyone at the same rate and include child allowance and adoption allowance. Means-tested benefits include housing allowance, housing supplement for pensioners and the top-up benefit in maintenance support. These allowances are not taxable, while income-related benefits are taxable. Social insurance is financed through a combination of employer and employee contributions and through taxes.

Ministry of Health and Social Affairs and government agencies

The Ministry of Health and Social Affairs is the Ministry in the Government Offices that is responsible for social insurance. Social insurance is administered by the Swedish Social Insurance Agency (Försäkringskassan) and the Swedish Pensions Agency (Pensionsmyndigheten). The Swedish Social Insurance Inspectorate (Inspektionen för socialförsäkringen) is the supervisory authority responsible for social insurance. Social security contributions are administered by the Swedish Tax Agency (Skatteverket).

Base amount and income ceiling

Several social insurance benefits are linked to the price base amount which, in turn, is linked to the consumer price index. This means that the benefits maintain their purchasing value as general price levels change. The price base amount for 2016 is set at SEK 44 300. The 'income ceiling' for sickness insurance, temporary parental benefit and pregnancy benefit is seven and a half times the price base amount, while for parental benefit the income ceiling is ten times the price base amount.

For old age pension the income ceiling is instead linked to an income base amount, which is linked to the change in income index. The ceiling for old age pension is seven and a half times the income base amount, which in 2016 has been set at SEK 59 300.

Costs for 2015

The central government budget for sickness insurance amounted to approximately SEK 102.6 billion. This figure covered the appropriations included in the benefits in the expenditure area 'Financial security for the sick and disabled'. It did not cover operational appropriations to the government agencies that administer and supervise sickness insurance.

The central government budget for pensions amounted to approximately SEK 38.1 billion. This figure covered the appropriations included in the expenditure area 'Financial security for the elderly'. It did not cover operational appropriations to the government agencies that administer and supervise pensions.

The old-age pension system outside the central government budget amounted to approximately SEK 267.5 billion.

The central government budget expenditure in the area 'Financial policy for families' amounted to approximately SEK 82.9 billion. It did not cover operational appropriations to the government agencies that administer and supervise the area.

Total expenditure in the central government budget for 2015 amounted to SEK 892 billion.

Social Insurance Code

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 Social Insurance Code covers most of the social security systems administered by the Swedish Social Insurance Agency and the Swedish Pensions Agency.

Entitlement to social insurance protection in Sweden or another country

The Social Insurance Code regulates the fundamentals of entitlement for coverage by social insurance in Sweden. In addition, Sweden has entered into bilateral or multilateral agreements on social security that may include exceptions from the Social Insurance Code. Sweden has entered into such agreements with some fifteen countries outside the EU. These agreements coordinate national social insurance systems to varying degrees. Moreover, entitlement to social insurance may be regulated by EU rules coordinating social security systems in the EU.

Unemployment insurance and health care

In other countries (but not in Sweden) unemployment insurance and health care are part of the social insurance system. In Sweden unemployment is part of labour market policy. Unemployment insurance funds often cooperate closely with the trade unions but are legally independent. The right to health care in Sweden is based on residence in Sweden. There are exceptions to this principle, especially within the EU regulations coordinating social security systems in the EU Member States.

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 regulations (social insurance, health care and unemployment benefits). The rules are necessary for people who work, live or study in different European Member States. The provisions are mainly set out in Regulation (EC) no 883/2004 of the European Parliament and of the Council on the coordination of the social security systems. This regulatory system also applies in EEA countries (Liechtenstein, Iceland and Norway) and Switzerland.

The objective of this regulatory system is to ensure that people who move from one Member State to another not lose their social insurance protection, nor are covered by social insurance systems in several Member States. 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 security in the country in which they work.

Parental insurance and allowances to families with children in Sweden

Sweden has a diverse and extensive support system aimed at providing financial security to families during the years when they have many dependents. The various forms of financial support to families contribute to better conditions for good financial living standards for all families with children and reduce the differences in economic conditions between households with and without children. Family policy aims to improve the conditions for equality between men and women. In addition, family

policy aims to support opportunities for both parents to take part in working life while being able to look after their children when they are young.

Three areas for family support

Financial support to families with children is divided into three main areas: insurance, general allowances, and means- and needs-tested allowances. The various types of family support are designed to meet specific needs, for example, the needs of parents living apart and parents of sick children or children with disabilities.

Insurance

- Parental benefit
- Temporary parental benefit
- Pregnancy benefit
- Child pension
- Pension rights for childcare years

Parental benefit

Sweden has a highly developed and flexible parental leave scheme that allows and encourages both parents to spend time with their children. Parental benefit enables both parents to combine work or studies with parenthood and allows a parent to take time off from work and receive compensation.

Parents of children born or adopted after 1 January 2014 are eligible for parental benefit until the child turns twelve or finishes the fifth year in school. For children born or adopted earlier, parents are eligible to receive parental benefit until the child finishes its first year of compulsory school or turns eight. Parental benefit is paid for a total of 480 days per child. For 390 of these days, the compensation level is approximately 80 per cent of the benefit-qualifying income. If a parent does not have a benefit-qualifying income, or does not meet other conditions for income-related benefit, parental benefit is paid at the base amount of 250 SEK a day. The remaining 90 days are compensated at a fixed amount of SEK 180 a day.

Parents with joint custody are each entitled to parental benefit for 240 days. Of these days, 195 are income-related and 45 are of the fixed amount. 90 of the days paid according to the benefit-qualifying income are earmarked for each parent specifically, while the remaining 180 days

can be transferred between the parents. Parents with sole custody of a child are eligible to the total 480 days.

Parental benefit is very flexible and it is possible to use parental benefit for parts of a day, for example a quarter, half or an eighth of a day if a parent wants to reduce their working hours. Since 2012 it has been possible for parents to use parental benefit together, for the same child on the same day. It is possible to take these 'double days' for up to 30 days during the child's first year.

Parents' right to be absent from work full-time is restricted to the child's first 18 months. Thereafter, parents have the right to decrease their working time by up to 25 per cent without using parental benefit days until the child is eight years old or finishes the first year of school.

Temporary parental benefit

A parent who needs to stay at 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 when the child's regular caregiver is ill.

The benefit can be paid for up to 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. Additionally, the father of a newborn baby is entitled to 10 days of temporary parental benefit, known as 'father days', in connection with the child's birth. For adoptive parents, five days each are paid out.

The compensation level is approximately 80 per cent of the benefit-qualifying income.

To help single parents in cases where they fall ill and cannot look after their child, since 2010, another insured person who forgoes paid work has been able to receive temporary parental benefit to look after the child.

Pregnancy benefit

A woman with a physically demanding job who cannot carry out her duties towards the end of her pregnancy may receive pregnancy benefit. In addition, a woman who is not allowed to perform her ordinary work due to risks in the working environment may receive pregnancy benefit.

Child pension

Children who have a deceased parent may receive a child pension. The child pension compensates part of the support that was contributed by the deceased parent. If the child receives a low, or no child pension, he or she may also receive a child survivor's benefit.

Pension rights for childcare years

When a parent is on parental leave or reduces their working hours while their children are small, the amount contributed to their pension is affected. Pension entitlement for childcare years is a way to financially compensate parents for this. It is possible to receive pension entitlement for childcare years during the first four years of the child's life, regardless of whether, or how long, the parent has been on parental leave. In addition to pension entitlement for the childcare years, pension contributions are made when a parent receives parental benefit and when care allowance is paid out.

General allowances

- Child allowance
- Adoption allowance

Child allowance

Families with children living in Sweden receive child allowance. This is paid from the month following the child's birth, or later, for example, if the child moves to Sweden. Child allowance is tax-free and is paid up to and including the quarter in which the child turns 16. The child allowance is SEK 1 050 per month and child. A supplementary allowance for additional children is paid to families with two or more children.

Adoption allowance

The state contributes a fixed sum (SEK 40 000) towards the costs of intercountry adoptions of children adopted through an authorised adoption organisation.

Means- and needs-tested allowances

- Maintenance support
- Housing allowance
- Care allowance for disabled children

Maintenance support

Maintenance support ensures that children whose parents are living apart receive some support if the parent who is supposed to pay child support does not pay. Maintenance support amounting up to SEK 1 573 per month and child is paid to the parent with whom the child is living, or directly to the child if the child is over the age of 18 and still attending upper secondary school. The parent who is supposed to pay child support must reimburse costs paid from public funds for maintenance support in full or in part, depending on his or her income and the number of children he or she has to provide for.

Housing allowance

Households with children living at home and households with right to contact with their children can apply for housing allowance. The size of the allowance depends on housing costs, the size of the home, household income and number of children. People who do not have children can also apply for housing allowance. This applies to people between the ages of 18 and 29 years.

Care allowance for disabled 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.

Sickness insurance in Sweden

Sickness insurance is an insurance against loss of income that provides financial security in the event of illness.

The first day is a qualifying day for which no compensation is paid. The employer pays sick pay for up to the following 13-day period. After this period, sickness benefit is paid by the Swedish Social Insurance Agency. This Agency is also responsible for compensation during the first two weeks of the sickness period for those who are not entitled to sick pay.

A doctor's certificate is required from the eighth day of sickness. In certain cases, employers or the Swedish Social Insurance Agency may require a doctor's certificate from an employee from the first day of sickness absence.

Size of sickness benefit

The sickness benefit qualifying income corresponds to the earned income that the insured person may be expected to have during the coming year. At most, the sickness benefit qualifying income can amount to seven and a half times the price base amount.

The size of sickness benefit depends on the sickness benefit qualifying income, multiplied by the factor 0.97. In general, sickness benefit amounting to a compensation level of 80 per cent is paid for 364 days within a timeframe of 450 days.

Those who have received sickness benefit at normal level, which is 80 per cent of sickness benefit qualifying income, for the maximum number of days, can receive sickness benefit at continued level. Sickness benefit at continued level amounts to 75 per cent of sickness benefit qualifying income.

People suffering from serious illnesses receive sickness benefit at a compensation level of 80 per cent.

Sickness benefit is payable as full, three-quarters, half or one-quarter benefit, depending on the extent of the reduction in work capacity. The highest compensation for sickness benefit is SEK 706 per day.

In certain cases, the Swedish Social Insurance Agency may decide to provide a travel allowance for travel to and from work, instead of sickness benefit.

Rehabilitation compensation

A person who participates in vocational rehabilitation may be entitled to rehabilitation compensation. This is conditional upon the rehabilitation being part of a rehabilitation plan drawn up by the Swedish Social Insurance Agency.

Occupational injury compensation

Those who are injured in the workplace or on the way to or from work can receive compensation from occupational injury insurance.

Occupational injury insurance applies to

- an accident or an occupational illness;
- an injury that occurred at work in Sweden;
- expenses, e.g. for dental care, or lost income due to the occupational injury; or
- those who live in a country other than Sweden and need medical care due to the injury.

It is in the event of permanent loss of income that compensation under the occupational injury insurance can be provided.

Allowance for care of close relatives

A person who refrains from gainful employment to care for a close relative who is seriously ill can receive an allowance for such care. 'Seriously ill' means a state of illness that poses a clear threat to the sick person's life. An allowance for care of close relatives is payable for a maximum of 100 days per person cared for.

Sickness compensation/activity compensation

Sickness compensation and activity compensation are the names of the benefits in the reformed disability pension system. 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 provided to insured people between the ages of 19 and 29 years, while sickness compensation is provided to insured people between the ages of 30 and 64 years. Sickness compensation may 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 a basic protection, in the form of a guarantee benefit.

The 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.

Pensions in Sweden

Sweden has a politically and financially stable pension system based on an agreement across political party lines.

The Swedish pension system is comprised of three parts: the income-based pension, the premium pension and the guarantee pension. In addition, most people receive an occupational pension and some also have private pension plans.

The income-based pension and the premium pension are income-related pensions in a defined-contribution system. Pensions are based on lifetime earnings. Pensionable incomes include wages as well as payments from social security and unemployment insurance systems.

The total contribution to the income-related pension system is 18.5 per cent of income (16 per cent to the income-based pension system and 2.5 per cent to the premium pension system).

The retirement age is flexible. Both income-based and premium pensions can be drawn from the age of 61. They can be drawn wholly or partially. It is possible to continue to work while drawing a pension. As a complement to the income-related old-age pension, basic protection is available in the form of a guarantee pension, which can be drawn from the age of 65.

The pension system is financially autonomous

The pension system in Sweden is financially autonomous and completely separate from the central government budget. The pension system is stable because pension size is determined by average life expectancy and because income-based pension paid out and pension credits follow wage developments. Strong income growth means pensions will be higher, while poor income growth will correspondingly result in poor pension growth.

Income-based pension

The income-based pension is the main part of the national pension system and is based on total earnings throughout life. A total of 16 per cent of an individual's pensionable income is set aside for this pension. The longer a person works, the higher the pension they receive. This principle means that the value of all pension contributions – made during the course of working life – is equivalent to what an individual will receive in the form of a pension. Earnings after retirement also affect the amount of pension.

Premium pension

The premium pension is also based on lifetime earnings. A total of 2.5 per cent of an individual's pensionable income is set aside for this pension. The premium pension is funded, and everyone is free to choose which funds it is to be placed in.

Guarantee pension

Anyone who has not earned an adequate pension is guaranteed a top-up guarantee pension. This compensation is based on residence and is financed by the central government budget. The guarantee pension is index-linked. It increases in line with inflation and is linked to the price base amount calculated by Statistics Sweden.

Housing supplement for pensioners

Housing supplement for pensioners is an important part of basic social protection provided to pensioners with low pensions. Eligibility for the housing supplement for pensioners depends on a person's income, assets and housing costs.

A person may apply for housing supplement while living in rental accommodation, tenant-owned housing, their own house or an old people's home. A person must draw a whole pension and be over 65 to receive a housing supplement.

Survivor's pension

The survivor's pension includes income-related benefits in the form of a child pension, an adjustment pension and (during a transitional period) a widow's pension, plus (under transitional regulations) a special survivor's pension. In addition, basic protection may be provided to adult survivors in the form of a guarantee pension and to children in the form of a child survivor's benefit.

Government Offices of Sweden

Ministry of Health and Social Affairs

Switchboard: +46 8 405 1000

Postal address: SE-103 33 Stockholm

www.government.se