



# ESPN – Flash report

## 2015/32

### Restoring the Swedish unemployment insurance

Björn Halleröd, Johan Fritzell, Joakim Palme  
and Pär Schön  
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<b>Theme:</b>	<i>Labour Market</i>
<b>Title:</b>	<b>Restoring the Swedish unemployment insurance</b>
<b>Category:</b>	<i>Unemployment</i>
<b>Abstract:</b>	In Sweden, 91% of people employed full time who become unemployed hit the unemployment insurance's income ceiling and receive less than the stipulated 80% of their previous earnings. The Government is now taking steps to raise the income ceiling and improve the minimum benefit level. These changes should reduce the at-risk-of-poverty rate among the unemployed.
<b>Description:</b>	<p>The Swedish unemployment rate is about 8% (Labour Force Survey, March 2015). Unemployment insurance, based on the principle of income maintenance, has traditionally been the main source of alternative income in the event of unemployment. However, during the past decade the Swedish unemployment insurance regime has undergone a series of changes concerning replacement rates, eligibility rules and benefit coverage. In particular, the earnings ceiling has remained unchanged since 2002, which means that the level of benefits has not followed wage developments. The unemployment insurance is today suffering from major problems relating to both replacement rates and coverage. (Arbetslöshetskassornas sammarbets-organisation 2014). Research (Ferrarini et al. 2012; Fritzell et al. 2014) has shown that the Swedish replacement rate in 2005 was the second most generous among OECD countries. Five years later, in 2010, the Swedish unemployment insurance replacement rate was below the average of OECD countries. The continuation of this trend has been highlighted in the Government's 2015 Spring Budget Proposal.</p> <p>The maximum daily replacement rate is, since the year 2002, set to 14,960 SEK (≈€1,662) per month. This figure can be compared to 26,200 SEK (≈€2,911), which in 2013 was the average monthly earning among blue-collar workers working full-time (Statistics Sweden 2015).</p> <p>In April 2015 (Spring Budget Proposal 2015), the Swedish Government suggested increasing the maximum monthly replacement rate to 25,000 SEK (≈€2,777). This significant increase would be important to maintain the social contract. Yet, it still means that more than one in two blue-collar workers are under-insured and that the corresponding proportion among white-collar workers is even higher. It should be noted that after 100 days of unemployment, the replacement rate is reduced to 70 per cent of the previous income. It should also be noted that income from unemployment insurance is more heavily taxed, because of the so-called job-tax-deduction, than income from work.</p> <p>Regardless of whether a person belongs to the voluntary unemployment insurance scheme or not, there are strict eligibility criteria and a period of 12 months of employment is required to qualify. The result is that</p>

	<p>many of the unemployed, predominately young people and immigrants, are not covered by unemployment insurance. Unemployed people who are not covered by the unemployment insurance receive maximum 7,040 SEK (≈€782) per month. The Government suggests raising this amount to 8,030 (≈€892) per month.</p> <p>The reform will be implemented in September 2015, after endorsement by the Parliament.</p>
<p><b>Outlook &amp; Commentary:</b></p>	<p>During the past decade, the at-risk-of-poverty (AROP) rate has increased from around 8% to about 13% (Statistics Sweden 2013). The main reason for this development is that incomes among people outside the labour market or with a marginalised labour market position have fallen behind the incomes of the full-time employed (Statistics Sweden 2015). The suggested reform will most probably decrease the AROP among those in full-time employment who become unemployed.</p> <p>However, even though the Government has taken a significant step to halt the deterioration and start to restore the Swedish unemployment insurance system, this will not be enough to close the big coverage gap. In fact, calculations included in the final report of the "Social Insurance Commission" (SOU 2015:21) suggest that a typical income insurance will not solve the problem because so many of the unemployed have no previous work record. Instead, another kind of programme would need to be introduced, including coverage of the large group of recipients of social assistance receiving assistance because of unemployment. One alternative that has been proposed (SOU 2015:21) is a type of benefit with a limited duration of six months that would only require active job seeking. Such a "job seeker's allowance" could be designed in a way that would avoid the present incentive problems with the means-tested social assistance programme, whereby any additional income reduces the social assistance benefit.</p>
<p><b>Further reading:</b></p>	<p>Ferrarini, T., Nelson, K. Palme, J. and Sjöberg, O. 2012. "En institutionell analys av sjuk-, arbetsskade- och arbetslöshetsförsäkringarna i 18 OECD-länder 1930 till 201." in <i>S 2010:04</i>. Stockholm: Ministry of Health and Social Affairs.</p> <p>Fritzell, J, Bacchus Hertzman, J. Bäckman, O. Borg, I. Ferrarini, T and Nelson, K. 2014. "Sweden: Increasing income inequalities and changing social relations." in <i>Changing Inequalities and Societal Impacts in Rich Countries: Thirty Countries' Experiences.</i>, edited by Nolan, B. Salverda, W. Checchi, D. Marx, I. McKnight, A. Tóth, I. and van de Werfhorst, H. Oxford: Oxford University Press.</p> <p>Statistics Sweden 2015. Household's Finances 2013 (<a href="http://www.scb.se/en/Finding-statistics/Statistics-by-subject-area/Household-finance/Income-and-income-distribution/Households-finance/">http://www.scb.se/en /Finding-statistics/Statistics-by-subject-area/Household-finance/Income-and-income-distribution/Households-finance/</a>)</p> <p>Lindvall, J. 2011. "Vad hände med den aktiva arbetsmarknadspolitiken?" <i>Ekonomisk debatt</i> 39(3): 38-45.</p> <p>Arbetslöshetskassornas samarbetsorganisation. 2014. "Rapport över kompensationsgraden vecka 35/2014." in <i>SO-rapport 2014-12-28</i>. (<a href="http://www.samorg.org/opinion/Documents/Farre%20an%20var%20ti%20onde%20arbetslos%20far%2080%20procent%20">http://www.samorg.org/opinion/Documents/Farre%20an%20var%20ti%20onde%20arbetslos%20far%2080%20procent%20</a></p>

	<p><a href="#">%20kompensationsgrad%20vecka%2035%2c%202014.pdf</a>)</p> <p>SOU 2015: 15. <i>Mer trygghet och bättre försäkring</i>. Stockholm: Fritzes.</p> <p>Spring Budget Proposal 2015 (<a href="#">Swedish</a> and <a href="#">English</a>).</p>
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