

Social Insurance in Sweden 2000

Social Insurance in Sweden **2000**

After 55 – Welfare, work and leisure



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Social Insurance in Sweden 2000 is the latest update of the National Social Insurance Board's periodic publication aimed at providing an overall review and discussion of important and topical issues relating to the social insurance system.

The theme of this second edition is *After 55 – Welfare, work and leisure*.

The population of Sweden is getting progressively older, thanks to advances in medical science and a healthier style of living. The increased average life span of Swedish citizens reflects an international trend, and is expected to continue. Public health has steadily improved since the middle of the seventies, but during this period more and more people have opted for early retirement. This paradox may be partially explained by the fact that the early retirement system has sometimes been used as an instrument for facilitating premature retirement from working life. Instead of providing a working environment and tasks better suited to older staff, it has become the norm to offer them early retirement. This approach favours the employer – at least in the short term – and has the backing of the unions, whose focus is on the interests of their younger members. Nor is it particularly disadvantageous to the individual, who receives severance pay from the company on top of an early retirement pension from the social insurance system. People who are professionally active are the losers. The nation loses a competent workforce and the results of its production. More money than necessary is transferred from the working population to pay for this practice which has become institutionalized. As a result, there is a growing risk that the early retirement scheme might lose its legitimacy, which would badly hurt those people who due to ill health really depend on the system.

In this book, we take up the controversial question of how the employment strategy might be strengthened in order to soften the impact of an imminent population crisis. It might be objected that if people do not feel up to working, or do not wish to work, beyond the age of sixty or thereabouts, the decision is theirs alone. They can even decide whether they wish to work at all. But when the choices of individuals begin to shape the pattern of society as a whole, it is time to discuss the consequences in a broader perspective. Merely crying out for stricter regulations in the early retirement scheme solves nothing. Far more radical changes are called for in the work environment, in the way work is organized, and in the attitudes of employers, unions and the individuals themselves.

Only then can society's need of more work be combined successfully with the wishes of the individual.

Many members of staff at The National Social Insurance Board have been involved in the production of *Social Insurance in Sweden*.

Britt-Marie Anderson acted as editor. Each section has its own main author. Hans Olsson and Edward Palmer were responsible for After 55 – Welfare, work and leisure. Lena Ericson wrote Social insurance in figures, while Bengt-Åke Lejon had the main responsibility for Changes to the regulations.

The book has gradually taken shape with the assistance first and foremost of Christer Carmegren, Anna Röstberg, Peter Skogman Thoursie, Lizbeth Valck, and Ingeborg Watz Forslund. Among all those who have given valuable comments on the first draft version, I would especially like to name Agneta Kruse and Inger Marklund. Special thanks are also due to Kristina Malm, who was responsible for the top copy and the diagrams.

I am also very gratified that the manuscript, albeit in its final stages, was critically scrutinized and commented by Juhani Ilmarinen, professor at the Finnish Institute of Occupational Health, Staffan Marklund, professor at the National Institute for Working Life, and Eskil Wadensjö, professor at the Institute for Social Research in Stockholm.

Stockholm, November 2000

*Anna Hedborg
Director-general*

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Introduction

Social insurance is an essential element in the lives of virtually all Swedish citizens. It is of major importance not only for people's security and welfare but also for the national economy, with a current expenditure per annum of approximately SEK 300 billion.

By social insurance, we mean the three major areas administered by the National Social Insurance Board and the social insurance offices. One of these covers parents and children, another deals with the sick and disabled, and the third is aimed at old-age pensioners and widows/widowers. These administrative divisions handle the major part of public cash payments to individuals and households, but are not responsible for unemployment payments or social security benefits. Internationally, unemployment insurance is generally classified as part of social insurance, but in Sweden it has traditionally been deemed a part of labour market policy and handled separately from the activities conducted by the National Social Insurance Board and the social insurance offices.

The theme of this year's edition of *Social Insurance in Sweden* is After 55 – Welfare, work and leisure.

The population of Sweden is getting progressively older, thanks to advances in medical science and a healthier style of living. The increased average life span of Swedish citizens reflects an international trend, and is expected to continue. Public health has steadily improved since the middle of the seventies, but during this period more and more people have opted for early retirement. This paradox may be partially explained by the fact that the early retirement system has sometimes been used as an instrument for facilitating premature retirement from working life. Instead of providing a working environment and tasks better suited to older staff, it has become the norm to offer them early retirement. This approach favours the employer – at least in the short term – and has the backing of the unions, whose focus is on the interests of their younger members. Nor is it particularly disadvantageous to the individual, who receives severance pay from the company on top of an early retirement pension from the social insurance system. People who are professionally active are the losers. The nation loses a competent workforce and the results of its production. More money than necessary is transferred from the working population to pay for this practice which has become institutionalized.

In just over ten years, the proportion of the population in the age group 20–64 will begin to diminish, namely, when those born in the forties turn 65. If the present tendency of the workforce to retire early persists, the number of people in gainful employment will already begin

to drop towards the end of the present decade. One thing is certain – the number of senior citizens is increasing dramatically.

In this book, we take up the controversial question of how the employment strategy might be strengthened in order to soften the impact of an imminent population crisis. It might be objected that if people do not feel up to working, or do not wish to work, beyond the age of sixty or thereabouts, the decision is theirs alone. They can even decide whether they wish to work at all. But in the first place, this is only true if individuals are prepared to take the economic consequences of their decisions. If these decisions involve the use of public funds or social security insurance, the matter appears in a different light.

The employment strategy is a recognized concept in Swedish economic and labour market policy. It requires that those who can and want to work, and are thus able to contribute to their own and others' support, should be given the chance to do so. In practice, however, the employment strategy has mainly meant attempting to reduce unemployment among age groups below 55. As such, the employment strategy has proved to be a myth. People in the higher age groups have, if anything, been encouraged to abandon working life. At the local level, this has been implemented by using the general insurance system as a stepping-stone.

Any positive incentives to join the workforce associated with the new pension scheme, and with other reforms in social insurance and the like appearing on the political agenda, can be put down to traditions and public attitudes. In some quarters, employing older workers is quite simply regarded as out-of-date. Naturally, such attitudes constitute no basis for determining whether healthy people want to work or not. When the population of professionally active age groups starts to fall in a few years' time, the virtues of the older workforce may well be re-evaluated, as a result of market pressures.

Social insurance in figures provides statistics on the financial scope of the social insurance system for the years 1997–1999. In addition, the pattern of distribution of various benefit payments by sex and age is reported for 1999, which is the latest year for which complete statistics exist. Payment statistics include not only the benefits administered by the National Social Insurance Board and the social insurance offices, but also compensation to the unemployed.

Changes to the regulations gives a brief summary of the changes to social insurance rules which became effective in 1999 and in the period up to June 2000.

Social Insurance in Sweden focuses consistently on the differences between the sexes. All statistics and many of the discussions illustrate current differences.

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The dilemma of the welfare system – coping with ageing means working longer

Social insurance emerged and developed hand in hand with industrialism. It fulfils our need for a financial safety net when we cannot work due to illness or injury and when our capacity for work declines as we grow older. An important milestone in the development of the pension system was the introduction of universal supplementary pension (ATP) in 1960. The rules for this system remained unchanged until a new system in Sweden was legislated in the 1990s. Nevertheless, new institutions relating to old age pensions and early retirement have developed since 1960, and the norms by which employees and employers regard pension schemes have gradually changed.

The theme of this year's Social Insurance Book

The right to retire from work with adequate compensation on grounds of illness or injury before the age of 65 or on grounds of age from 65 onwards has become one of the hallmarks of the Swedish welfare state. At the end of 1999, social insurance paid out pension benefits to approximately 2 million pensioners, of which 425,000 were for claims for early retirement with disability. Meanwhile, there were roughly 4.1 million people gainfully employed on the labour market. In other words, for every two persons working and paying contributions to social insurance there was one pensioner.

Early exit from the work force has become something of an institution in Sweden. Few work up to the age of 65, which is the age at which one has the right to a full benefit. In some professions the pensionable age is lower because working beyond a certain age would constitute a risk to the individuals themselves or to the people they work with. However, the usual way of making the transition from working life to 'leisure' before the age of 65 is through disability, based on medical grounds (a disability grant) after a period of sick leave. Disability is an important financial safety net for people forced out of professional life by illness or injuries which rule out further work. However, disability has come to be used in other situations, for example, in connection with company rationalizations, when alternative employment is considered difficult to find locally. Employers and unions share a common interest in early retirement of older workers,



where they would otherwise have to adhere strictly to last-in first-out rules, and disability presents a financially acceptable solution to individuals, who receive approximately 80 per cent of their normal salary after tax, with both social insurance and contractual benefits taken together.

Currently, for every ten working people, there is just over one disability pensioner in Sweden, and disability has shown a constant trend increase. In many fields the traditional message of unions and employers alike is that people are worn out by their mid-50s. Why is this? One answer might be that this was indeed true of people born in the 1920s, who may have started working between the ages of 12 and 14. This early start in working life is easily overlooked. Nine-year compulsory school was introduced in 1962, and at the time high school studies were still comparatively rare.

Today, we tend to take it for granted that people start working between the ages of 20 and 25 and retire around 60, but we are not talking about the same people as before. What then might be considered to be a reasonable pensionable age for those born in the 1940s, 1950s and 1960s, who started working much later in life, and have usually worked in environments very different from those of older generations? If unsatisfactory work environments are still a major reason for leaving working life prematurely, how is it possible we accept such poor working conditions today? Will the situation be the same in 2010? And 2020? Not if we do something about it.

The right to full pension from the age of 65 was introduced in 1976 (since 1913, it had been 67). Moreover, retiring at 65 has often been obligatory, in accordance with general agreements negotiated many years ago by the central organization for labour and management. Little scope is left for individual choice. The right to leave the labour force with 'a full pension' upon reaching the age of 65 has become an obligation. In fact, it is often considered as one of the triumphs of the welfare state, that we can afford to release everyone from the burden of work by 65 at the latest.

Retirement no later than 65, and preferably at 60, has become an institution, widely accepted by the majority of people. Does working life have to end so abruptly? With fewer people working, welfare is lower for everyone. It is not logical to let age determine the point at which we retire. Health, work capacity, interest and competence should be the deciding factors. Neither work capacity nor the work environment ought



to be seen as fixed entities. Scientific studies indicate that work capacity need not diminish after 50, and that the work environment can be successfully adapted to the needs of older staff at a reasonable cost. What we need is an increased awareness, and a change in the underlying attitudes of everyone towards work after 55.

That is the theme of this year's Social Insurance Book.

The individual and the insurance-paying community

Specifying the ideal ratio between the number of people in work and those receiving pensions is impossible. Both leisure and the consumption of goods and services provide satisfaction to the individual. Giving up work for the sake of leisure obliges the individual to accept a lower level of consumption. However, a range of generous social insurance benefits allows leisure to be purchased at very little cost in terms of consumption.

The aim of social insurance is to provide an adequate level of compensation for people unable to work due to illness or reduced work capacity. This involves a risk for the insurance-paying community as a whole. Generous life-long compensation from social insurance may become the main goal of older employees who have attained a reasonably sound economy and have begun to put higher value on their leisure-time. It is pointless to moralize about such personal preferences. On the other hand, it is important that the institutions and behavioural patterns surrounding retirement do not become obstacles to those who really want to continue working. It is also important that individuals not only receive their rightful share of the national income but also share the costs that a free choice between work and pension involves. In this respect, the new old age pension scheme is a step in the right direction, linking pension levels closely to contributions and life expectancy from the year of retirement.

Basically, the total production of society – the gross national product (GNP) – depends on the number of people in gainful employment and how productive they are. The greater the number of people working, the greater the GNP. If the ratio of pensioners to people in work should remain the same in the future, any increase in the average standard of living will be determined by growth in productivity – through improved technology, competence, etc.

Population forecasts, however, point to an inevitable decline in the ratio of gainfully employed persons to the number of pensioners. We already know how many young Swedish-born people will enter the labour market during the next 20 years. Over the past 10 years, the birth rate has been far too low to prevent a gradual long-term reduction in the number of working-age people. On the other hand, there is an element

of uncertainty regarding net immigration to Sweden. Here, a number of factors are involved. Some people will emigrate from Sweden, while others will wish to settle here. We do not know to what extent younger members of the Swedish labour force are likely to remain in Sweden now that it is easier to move around within Europe. Nor can we be sure what form our future immigration policy will assume. In addition, Sweden is not alone. Europe's workforce will need 20–30 million immigrant workers.

Meanwhile, the number of citizens over 65 will increase dramatically in Sweden. The increase will be particularly steep in the years around 2010, when the large generation born in the 1940s passes the 65-year-old mark. Add to this the fact that average life expectancy is increasing. Historically, average life expectancy at age 65 has increased by roughly one year every ten years, and it is expected to continue at at least this pace in the coming decades. Given a general pension age of 65, there will be just over 200,000 more people living off old age pensions in 2010 than today. In 2020, there will be 500,000 more, and in 2030 the increase will be 700,000. See the following table. Furthermore, there are already approximately 40,000 old age pensioners living abroad (who are not registered in the Swedish population, but receive their pension from Sweden), and payments abroad are expected to increase to approximately 100,000 as early as 2010.

	1999	2010	2020	2030
Persons aged 65 and over	1,539,000	1,738,000	2,050,000	2,253,000
Persons aged 20–64	5,176,000	5,239,000	5,126,000	4,992,000
Persons in employment, 81% of persons aged 20–64	4,193,000	4,244,000	4,152,000	4,044,000
Gainfully empl'd/Old age pensioners	2.7	2.4	2.0	1.8
Early retirement pensioners	425,000	450,000	450,000	450,000
Gainfully empl'd/Old-age and early retirement pensioners	2.1	1.9	1.7	1.5

SOURCE: SCB AND RFV

Number of gainfully employed relative to number of pensioners.

The expected increase in the number of pensioners relative to the number of gainfully employed means that future growth in productivity will not wholly be matched by a corresponding increase in the real standard of living per capita. Irrespective of whether GNP per hour worked (productivity) increases by 1, 2 or 3 per cent per annum, between 0.5 and 1 per cent per annum will go to maintaining GNP per capita of the population at its present level up to the year 2030.

As mentioned earlier, there are just over 4 million employed persons and approximately 2 million pensioners. If an additional half million persons were to work instead – i.e. if there were fewer early retirement pensioners and some more people working up to and beyond the age of 65 – these, too, would be able to contribute to national production. Given an average level of productivity, Sweden's GNP would increase by approximately 12 per cent – approximately SEK 230 billion. This money could be used for higher private consumption by families with children and others in working life, but could also go towards providing funds for better schools and improved health care.

Individuals, employees and employers follow the rules drawn up by society and the institutionalized practices which develop and become established – always governed by self-interest and local exigencies. Using the disability system to help rationalize workplaces may appear to be a good solution in a local setting but will be too costly for society as a whole. The parties concerned at the local level do not pay the full costs. A large share is borne anonymously by the insurance-paying community, in the form of lower production, taxes and contributions.

The main argument of this book is that the number of old age and early retirement pensioners in the years ahead ought to be less than in the table above. Instead, we should on average stay at work longer. Naturally, many people do not have a choice due to illness or other problems. These people should continue to receive all necessary support. However, in those borderline cases where continued employment is as viable an alternative as retirement – either in the form of disability pension or old age retirement at 65 – there ought to be a higher probability of continuing to work. Those who can and want to work should be able to do so at more advanced ages than is the case today. However, if the current trend is to be broken, institutionalized ways of looking at work and pensions must change and work environment and conditions must be adapted to the needs of an older labour force. This applies equally to attitudes towards older people on the labour market. Market forces themselves will bring about changes as labour shortages come towards the end of the present decade.

Old age pensioners' living standards have risen more than the standard of other groups

As late as 1975, the average level of income for a person of 65 or older was just 20 per cent higher than the social assistance norm, and the average income of a pensioner 75 and older was at the level of the social assistance norm. Today, the average income of a person 75 or older is more than 60 per cent higher than this norm.

Both in 1975 and at the end of the 1990s, the level of income was higher for younger pensioner households than for older ones, where single women predominate. The reason older single women have lower benefits is partially explained by the fact that the first generation of women with working lives as long as those of men were born in the 1940s. These women have not yet reached pensionable age, and it will be even longer before they reach the age of 75.

Since 1983, the standard level of income for an average pensioner aged 65–74 has remained roughly the same as that for households consisting of two adults with 1–2 children (if income is divided equally between household members as in the following table). In 1991, two-adult households with children were somewhat better off, but in 1997, after the severe recession of the 1990s, younger pensioners were better off. The level of income for households with two adults under 65 without children is admittedly 35 per cent higher than that for pensioner households in the age groups 65–74. But the level for 65–74-year-olds is now higher than the level for all other types of household (couples with children, and single persons with or without children).

Of course, this type of comparison is not without its problems. Sometimes children are considered to represent less than a whole consumer unit (if we consider an adult person as making up a whole consumer unit) because their need of consumption is assumed to be lower than that of adults. Having more than one person in a household allows 'economies of scale'. Costs for TV, telephone, newspapers, etc. as well as part of the cost of accommodation, can be shared by a number of individuals.



	1975	1983	(1991)	1991	1997
Over 64 years	121	143	(169)	177	182
– 65–74	131	156	(186)	197	201
– 75 and older	104	124	(146)	150	160
2 adults (under 65)					
– without children	201	215	(267)	286	273
– 1–2 children	150	159	(202)	217	195
– 3 or more children	117	123	(153)	162	148
1 adult (under 65)					
– with children	134	134	(143)	149	130
– without children*	153	151	(172)	181	159
Total persons under 65	152	159	(198)	210	191

Note: Average income has been obtained by dividing the total income of the household by the number of persons in the household. Persons aged 18 and older form separate households. The figures in brackets have been calculated according to the old method and are directly comparable retrospectively with 1975 and 1983. Unbracketed figures for 1991 are directly comparable with 1997.

SOURCE: STATISTICS FOR 1975–1991 ARE FROM BJÖRN GUSTAFSSON AND EDWARD PALMER, (1997) "CHANGES IN SWEDISH INEQUALITY: A STUDY OF EQUIVALENT INCOME, 1975–1999" IN PETER GOTTSCHALK, BJÖRN GUSTAFSSON AND EDWARD PALMER (ED.) *CHANGING PATTERNS IN THE DISTRIBUTION OF ECONOMIC WELFARE*. CAMBRIDGE, ENGLAND: CAMBRIDGE UNIVERSITY PRESS. STATISTICS FOR 1997 ARE FROM BJÖRN GUSTAFSSON AND EDWARD PALMER, (2000) "WAS THE BURDEN OF THE DEEP SWEDISH RECESSION EQUALLY SHARED?" (MANUSCRIPT). STOCKHOLM: THE NATIONAL SWEDISH SOCIAL INSURANCE BOARD.

*Student households (persons over 17) are regarded as separate households even if living at home.

Average income after tax as a percentage of the norm for social allowance. As a result of the tax reform at the beginning of the 1990s, the income tax base was broadened. This led to a higher average income for all households, but in differing degrees for different types of household.

A large and increasing share of the total national income has thus been transferred to old age pensioners over the past quarter-century, as the supplementary pension scheme (ATP) has matured. The level of income per capita for persons below the age of 65 has increased by 1.0 per cent annually since 1975 while the standard of income for old age pensioners increased by approximately 1.5 per cent annually during the same period. It should be noted, however, that the latter increase is due to new pensioners entering the system with ever better ATP pensions. By contrast, if we focus on particular individuals among pensioners, we see that the majority have had no real increase in income at all. This is because benefits are indexed only to prices.

The dilemma of the welfare system

As the number of pensioners per contributor increases, the cost for maintaining a given ratio of the average benefit to the average wage increases. The example in the following table shows why high participation in the labour force is a prerequisite for maintaining a welfare state with high ambitions.

	No. of employed per pensioner	Average pension as % of average salary	Contrib. rate in % for the employed
Scenario 1	1.60	60	37.5
Scenario 2	2.25	60	27.0
Scenario 3	1.60	43	27.0

SOURCE: THE TABLE IS BASED ON DATA GIVEN IN THE BOX ON PAGE 27

The dependency ratio and the level of compensation determine the contribution rate.

Present forecasts suggest there will be 1.6 gainfully employed persons per pensioner in 2030. If we wish to provide an average pension that is 60 per cent of the national average salary (Scenario 1), we need to exact a contribution of 37.5 per cent from employed persons. This is, roughly, the situation in 2020 according to current population forecast. If, on the other hand, an extra half million people were to continue working instead of claiming pensions, a contribution of around 27 per cent would suffice to finance an average pension still equating to 60 per cent of the average salary (Scenario 2), which is about what old-age and disability benefits cost today. The difference in the financing burden between the two scenarios is considerable. In scenario 3, the high number of early and old age pensioners is retained, but here the level of compensation is lower, with an average benefit of around 43 per cent of the average salary. In this scenario, too, the required contribution is 27 per cent. It differs from scenario 2 in that fewer persons work, and that when they eventually retire their pension will be less. Scenario 3 is better than scenario 2 if people prefer leisure to consumption, otherwise scenario 2 is to be preferred.

The reformed income-related old age pension scheme has built-in features making it possible to maintain an old age pension contribution of 18.5 per cent. In the new pay-as-you-go scheme, annual payments of contributions are registered on a personal account. The balance of the account is revalued annually, following general wage trends in principle. Thus, the balance changes every year, partly with new contributions, partly with revaluation. The pension can be claimed from the age of 61,

but currently the 'normal' pension age is 65. To calculate the pension, the value of the account is divided by a number reflecting remaining life expectancy at the time the pension is claimed. It is to the advantage of individuals to work extra years, since, firstly, the divisor is reduced, secondly, each additional year of contributions adds to the balance of the account, and, thirdly, the capital on the account is revalued upwards.

In the old age pension scheme, the pension is thus adjusted to changes in life expectancy. If we continue to retire at the same age, the average pension will decrease when life expectancy increases. A higher pension can be obtained by working longer. In the table above, as we work longer the ratio of employed persons to pensioners will therefore increase, as will the replacement rate.

As a result of the design of the new pension scheme, the outcome is likely to fall somewhere between scenarios 2 and 3 in the future. Such an extreme increase in contributions as in scenario 1 is ruled out because the old age pension scheme has a fixed contribution rate of 18.5 per cent. But there is no such built-in mechanism in the early retirement pension scheme. This means that contributions (or taxes) will rise with the number of early retirement pensioners.

Retirement – one of life's stages

The organization of productive work has a major impact on the development of our lives and institutions. In the traditional farming and trading society, family and workplace were integrated. Within the family, there was a succession, starting out with increasing responsibility for work and later followed by a gradual winding down and transfer of work to the next generation. There was no fixed pensionable age. Developments during the nineteenth century quickly ousted the family as the unit of production and led to industrialization with its sharp dividing-line between family and work.

The growth of industrialism changed everything. Before industrialism, we learned a trade through working as an apprentice to an experienced worker. We did not retire with a pension, but successively eased the work load at a pace which felt appropriate. Most people worked as long as they were able. Nowadays we go through a long period of state education in order to qualify for work, after which we work until we retire – at the age of 65 or earlier. In other words, life is now divided up into three stages: education, work and retirement. Retirement as a clearly defined stage in the life cycle is a comparatively recent phenomenon. It arose as a result of the stricter demands for more uniform work imposed by industrialism, and was made possible by the very wealth that industrialization created.



As late as 1963 – when the supplementary pension scheme (ATP) was still in its infancy – 43 per cent of all men aged between 65 and 74 were in employment. Now there are so few who work past age 65 that current statistics for this group are not even published. The age for the right to full ATP benefit was 67 from the beginning, but one could work longer. In 1975, less than half as many men aged 65–74 were in employment, roughly 20 per cent. Benefit levels for both old age and early retirement pensioners were on average much higher in 1975 than in 1963.

In 1976 the general pensionable age was lowered to 65, and agreements were signed within all major areas of collective bargaining, limiting the possibility of work beyond the age of 65. The introduction of a pensionable age of 65 and of early retirement were of course welfare-enhancing reforms. The question, however, is: would it be unrealistic to envisage a system closer to the 'old model', where retirement meant a gradual winding down – instead of the institutionalized clean break of today? Both old age and early retirement schemes include the option of a part-time pension, but this is rarely exploited. Perhaps industrialism has led us to regard ageing and ill health in terms of black-and-white. Either we are healthy and not yet too old – in which case we should work full-time. Or, alternatively, we are ailing or getting on in years – in which case we should not work at all.

There are such wide differences between people of the same age that age in itself is a poor criterion for measuring our capabilities. If a person's health makes work impossible, early retirement is an obvious right in a modern welfare state. It should be equally obvious that a person who is fit and healthy and wants to work and can come to an arrangement with the employer should not be prevented from doing so.

Many European countries have a lower pensionable age than Sweden, but in recent years a number of them have raised the age of retirement and, like Sweden, created legislation designed to reward those who stay in work longer by granting them higher pensions.

Unemployment as a motive for early retirement

Systems offering attractive benefits have a tendency to 'entice' people away from the labour force. There are, however, circumstances over which private individuals have very little control. One of these is unemployment. For a long period stretching from 1972 to 1991, it was possible to take out early retirement on grounds of the labour market situation. At first younger people too could claim this form of pension, but in 1974 the lower age limit was set to 60. Unemployment in the country at the time was not very high, but this option came to be the preferred solution

when larger companies downsized, or when there was a dearth of job opportunities in a particular region. Apart from such cases directly linked to market conditions, labour market considerations have also played a part in judging claims for early retirement on grounds of illness. As of 1997, however, special so-called ‘older rules’ for disability no longer apply.

Differences in local labour markets have thus traditionally been instrumental in facilitating early retirement of older workers. In spite of recent legislation, there are still large regional variations in the frequency of early retirement, which in all likelihood can be attributed to labour market factors.

In many other European countries with long experience of unemployment, early retirement has been used even more frequently as a means of ‘regulating’ the labour market. A classic example during the 1980s was the Netherlands, although the situation is different today. The interest in encouraging workers to retire has been based on the assumption that if older workers retire, younger persons will be able to step into their jobs. In reality, it is rarely that easy. People are not easily substitutable. Replacing an older worker with a younger recruit fresh from unemployment and possibly untrained, can be both problematical and unprofitable. On the other hand, companies in the throes of recession or restructuring may be forced to rationalize – and in that situation they are only too pleased to be able to offer older workers expense-free early retirement, without risking the loss of goodwill on the part of the public.

The notion of using early retirement as a tool to make way for younger staff is, moreover, predicated on the mistaken and short-sighted belief that there are only a fixed number of jobs in a country. If that were true, the USA would have two-digit levels of unemployment today, with its growing population and labour force. Higher employment and increasing incomes create a demand for goods and services, which in turn generate a demand for more labour. Thus it is erroneous to believe, as older employees are sometimes encouraged to do, that you are doing society a service by leaving working life for good.

There are plenty of signs, however, that tomorrow’s economy will require us to change jobs and professional orientation much more frequently than up until now. This will call for greater investment in human capital throughout the whole of life – both privately and in the workplace. Needless to



say, the initiative for personal development must come from the individual, but the state has an important role to play in ensuring there are sufficient places available in educational programmes. Course timetables and syllabuses must be designed for people who already have some basic training and work experience but need to broaden or deepen their knowledge and skills – either in their familiar field, or in a new one.

Are older staff overpaid?

Could it be that in reality the conditions of production dictate when we are to retire from the labour force, and that the state merely adjusts the social insurance scheme to meet these conditions?

When young people are first recruited they have naturally no job-specific knowledge or workplace experience. Salaries at the outset of working life may be set higher than individual capabilities actually warrant. Employers are prepared to pay a higher salary than is actually motivated in order to build up a skilful work team for a specific job situation or workplace. This also reduces staff turnover. Salaries exceed individual productivity at the start of working life because employers see it as an investment in the future.

The situation for older staff is often just the reverse. As they grow older their knowledge ages too. Meanwhile the employer's return on further investment in the human capital of the individual diminishes, since the individual will shortly be leaving working life for good. Further, eventually there will be a drop in productivity for older staff.

If salary levels remain the same, older staff continue to cost as much as younger staff but the employer gets less for his money, at least in the long-term. This would seem to motivate a lower salary for older staff. However, even though flexible salaries and salary spread seem to be on the increase generally in society, it is probably less acceptable today than ever to decrease salaries in conjunction with relocation, etc. The alternative solution is to get older staff to quit – as far as possible using a socially acceptable tool such as early retirement.

It is probable that older staff still possess much valuable knowledge and experience that could be put to profitable use, but they may find it difficult to work at the same pace as before or under the same physical and psychological pressures. The Swedish and European solution is often (or has been) to use existing pension schemes to buy off people who cost too much in



relation to their performance, rather than taking the opportunity to assign them alternative work, possibly at a lower rate of pay.

An early retirement pension from the disability system worth 80 per cent or more of the employee's previous salary after tax in combination with contractual or other supplements, is a tempting proposition from the point of view of the individual, and certainly reduces any incentive to stay on and work for a lower salary. Retirement with a disability benefit as a natural way out of the predicament will usually be supported by both the employer and the local union. Once again, such a solution might appear appropriate and desirable in any given local context, but it is expensive for the insurance-paying community as a whole, and will become even more costly once the 1940s generation, significantly larger than the generation of the 1930s, reaches 'the age of early retirement' in the not so distant future.

Employers sometimes provide pensions for older staff at the company's expense without any support from social insurance, paying staff up to the age of 65, when these may claim their unreduced pension from the public insurance scheme. This solution takes the form of a more or less explicit agreement between employee and employer, and as such is hardly a matter of public concern. However, superficially at least, it would seem to indicate a very low estimation of older persons' work capacity. The employer loses the employee's entire work input, but still has to pay about half the salary costs. On the plus side, of course, there is a reduction in costs for premises and administration, etc., but it still appears to add up to a loss from the business angle. Perhaps retirement at the company's expense has mainly provided a socially acceptable way of solving the problem of redundancy, without risking the loss of goodwill that firing younger staff might entail. The latter course of action would, furthermore, bring the company into conflict with labour legislation. So far, this method has only been applied to a relatively small group, those born in the 1930s. Using it as a standard solution with the 1940s generation would be extremely costly for many workplaces.

The employment strategy

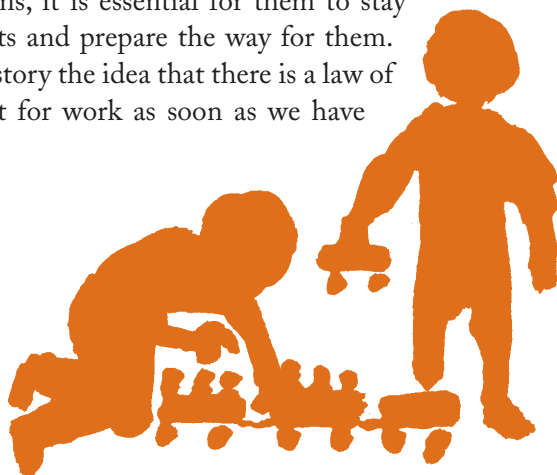
Are we to conclude that the workforce of the future will consist of an elite group of younger, highly productive people, who forgo a large part of their salaries in order to provide for a rapidly increasing number of 55-year-olds and older? Is such a system in the best interests of young people? Even allowing for the fact that they too will grow old one day?

In economic terms, it is theoretically profitable for a person to continue working as long as he/she produces something whose value exceeds

the costs for materials, premises, etc., that are used – i.e. as long as the added value is positive – and provided that the wage corresponding to the production result is higher than the value the employee puts on leisure. In a real-life workplace, a complicating factor is the lower limit to which wages may be set. It is, for example, impossible to set a wage low enough to match extremely low productivity. When the point is reached at which an employer is no longer prepared to retain older staff with low productivity at a socially acceptable salary level, society may be justified in subsidizing persons with low productivity but whose productivity nevertheless exceeds the value they set on increased leisure. A rigid hierarchy of salary relationships between workers of different ages, preventing salaries from reflecting differences in productivity, is an example of what economists call market imperfection. Such imperfection results in less than optimal use of the resources of society from a national economic standpoint, and in such cases a subsidy may be motivated. In practice, however, it is very difficult to decide to whom such a subsidy should be paid. Furthermore, the subsidy has to be financed in some way, for example, through taxation, and the financing itself creates new imperfections, so-called 'tax wedges'.

An alternative approach is to reject the whole notion that older people's productivity is less than a decent salary. Work situations can be adapted to cater for changed – though not necessarily reduced – work capacity, and it is possible to maintain and improve capacity by making special investments in the work environment and human capital of older employees. We may need to revive some of the more positive features of the pre-industrial view of ageing, such as gradually easing the work load of older people. We need to abandon the 'clean break' model.

Some of this will become apparent to the market itself – employer and employee – as the supply of labour starts to dry up in the near future. As for social institutions, it is essential for them to stay abreast of developments and prepare the way for them. We must consign to history the idea that there is a law of nature making us unfit for work as soon as we have passed our early fifties.



Work or Pension?

Three examples of the same population but with different proportions between the number of working people and the number of pensioners.

Example 1. Few work and many receive a pension – those who work pay a high contribution of over 37%.

4.0 million people work and 2.5 million receive an old age or disability pension. The dependency ratio is 1.6 – which means 1.6 workers per pensioner. A benefit is assumed to be 60% of a salary.

Income from work:	Employees	Income per employee	Total earnings
	1.6	200,000	320,000

Pension costs:	Pensioners	Pension per pensioner	Pension costs
	1.0	0.60 x 200,000	120,000

Salary after contributions per employee: $200,000/1.6 = 125,000$

Contribution as percentage of salary

before contribution: $75,000/200,000 = 37.5\%$

Example 2. We work longer and fewer people claim disability. Those employed pay a contribution of approximately 27%, i.e. today's rate.

4.5 million people work and 2.0 million receive an old age or disability pension. The dependency ratio is 2.25 – which means 2.25 workers per pensioner. A benefit is assumed to be 60% of a salary.

Income from work:	Employees	Income per employee	Total earnings
	2.25	200,000	450,000

Pension costs:	Pensioners	Pension per pensioner	Pension costs
	1.0	0.60 x 200,000	120,000

Salary after contributions per employee: $330,000/2.25 = 146,000$

Contribution as percentage of salary

before contribution: $54,000/200,000 = 27\%$

Example 3. Few work and many receive a disability pension – but the contribution rate is kept at today's level, meaning the replacement rate has been significantly reduced from approximately 60% to 43%.

4.0 million people work and 2.5 million receive old age or disability pension. The dependency ratio is 1.60 – which means 1.60 workers per pensioner. But now a benefit is assumed to be 43.2 % of a salary.

Income from work:	Employees	Income per employee	Total earnings
	1.6	200,000	320,000

Pension costs:	Pensioners	Pension per pensioner	Pension costs
	1.0	0.432 x 200,000	86,400

Salary after contributions per employee: $233,600/1.6 = 146,000$

Contribution as percentage of salary

before contribution: $54,000/200,000 = 27\%$

Health – the health of the population is steadily improving

The number of persons exiting the workforce with a disability benefit has increased dramatically since the middle of the 1970s. Most disability pensions have been granted on grounds of reduced work capacity due to medical reasons, even though a number have been granted on work-related grounds. The striking increase in the incidence of disability could be interpreted as a sign of deteriorating health in the population at large. However, most of the more objective state-of-health indicators suggest that the health of the population has improved and rather considerably. In this chapter we focus on health developments, and attempt to show that health alone is not an impediment to working longer.

Average life expectancy is still increasing

Average life expectancy has steadily increased since the 19th century, in Sweden as in most other countries. The beginning of the 20th century saw a great number of improvements in the general health situation, not the least of which was the reduction in mortality due to infectious diseases, which often affected children and young people. The further decrease in mortality among people of all ages since the middle of the 20th century may be attributed to continuing medical progress and changes of lifestyle.

From 1900 to around 1950, average life expectancy calculated from time of birth increased from 52 to approximately 70 years for men, and from 55 to approximately 72 years for women, that is, by almost 3 years per decade. Between 1950 and 1980, the rate of increase slowed down, particularly for men. By contrast, life expectancy for men has subsequently increased faster than for women, primarily due to the fact that mortality risks have diminished for middle-aged men. Average life expectancy for men and women has increased on average by roughly 1.4 years per decade since 1950.

The increase in life expectancy reflects a decrease in mortality for virtually all age groups. Infant mortality has fallen particularly sharply. Another significant development is the decrease in mortality during the past twenty years for people in the 45–64 age group, mainly thanks to reduced mortality from cardiac and vascular diseases. Mortality in this age group has, as mentioned earlier, fallen significantly for men.

Apart from advances in medical science, these developments in average life expectancy may be traced to improved dietary habits, reduced

smoking and lower alcohol consumption. The rate of increase in average life expectancy admittedly slowed down after 1950, but many medical experts predict that it will start to increase again during the next half century. If life expectancy continues to increase at the same rate as in the past few decades, it will be around 90 years for women and around 85 years for men by the middle of the twenty-first century. In this happens, it is also probable that the number of years of good health for people aged 45-75 will also increase.

The development of the average lifespan in Sweden is not unique, and reflects a more general increase throughout the world. Towards the end of the 1990s, Japanese men and women lived longest in the world, but Swedish men and women were not far behind. The lower life expectancy of Denmark, compared to that of Sweden and Norway, for example, is attributed almost entirely to differences in lifestyle.

Country	1960		1998	
	Women	Men	Women	Men
Sweden	19.3	17.3	24.2	20.2
Norway	20.1	18.0	23.8	19.6
Denmark	19.1	17.2	21.9	18.4
Finland	17.5	14.4	23.4	18.6
Iceland	20.4	18.6	24.0	20.7
France	19.5	15.6	22.6	19.9
Germany	18.5	15.5	23.3	19.0
Great Britain	19.3	15.3	22.6	18.9
Ireland	18.3	16.3	21.8	17.9
Holland	19.3	17.3	23.4	18.9
Belgium	18.7	15.4	23.6	19.0
Luxembourg	18.3	15.9	23.4	18.7
Austria	18.6	15.0	23.6	19.3
Switzerland	19.2	16.2	24.9	20.4
Greece	18.9	17.0	23.1	20.2
Italy	19.0	16.4	24.0	19.0
Spain	19.2	16.5	24.0	20.0
Portugal	18.6	15.9	22.2	18.0
USA	19.5	15.8	24.0	19.0
Australia	19.4	15.6	24.0	19.9
New Zealand	19.5	16.3	23.0	19.0
Japan	17.8	14.8	26.4	21.0

SOURCE: OECD HEALTH DATA 1999, POPULATION AGEING 1999, DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS – UN, AND MINISTRY OF HEALTH AND WELFARE – JAPAN



Remaining life expectancy after the age of 60 in various OECD countries. Life expectancy has increased internationally.

An increase in life expectancy of almost one year per decade leads to greatly increased costs for the old age pension scheme – unless the pension scheme is designed to counteract this. The new pension scheme in Sweden adjusts newly granted pensions to increased life expectancy. This was not the case with the ATP scheme. When ATP was introduced in 1960, life expectancy for a 65-year-old woman was 80 years and for a man, just over 78 years. At that time the national pensionable age was 67. This meant an average period with an old age pension of 11 years for a man and 13 years for a woman. The age of retirement was lowered to 65 in July 1976. Towards the end of the 1990s, life expectancy for a 65-year-old woman was 85 years and for a man, just over 81 years. The average number of years with an old age pension thus increased by approximately 50 per cent over these 40 years.

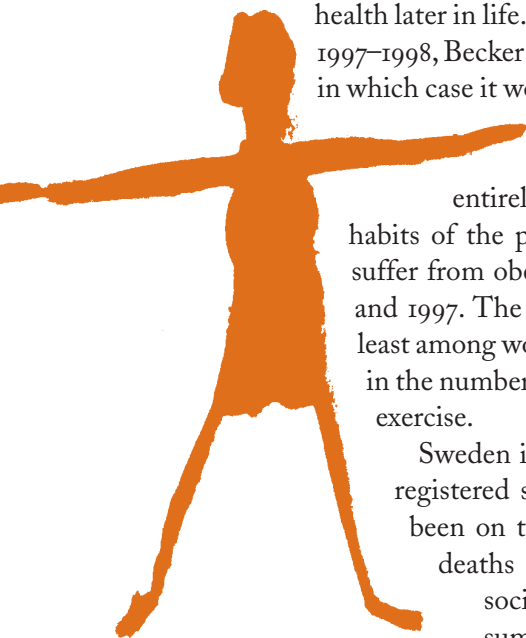
Increased life expectancy is for the most part linked to improvements in the general state of health of the population. If we regard health alone as the deciding factor in a person's decision to retire from working life, a longer working life – rather than a shorter one – would seem to be justified.

Improved habits of living

Good dietary habits and regular physical exercise are essential for the health of the population. According to a report from the Expert Group for Dietary and Health Issues in 1984, eating habits in Sweden have improved noticeably since the 1970s. Consumers today are more aware of the importance of dietary habits in combating illness and poor health later in life. According to another survey (The National Diet 1997–1998, Becker 1999), women have better eating habits than men, in which case it would seem there is room for relative improvement among men.

The outlook for the future is, however, not entirely positive. According to SCB's surveys of the living habits of the population (ULF), the proportion of people who suffer from obesity and overweight grew sharply between 1980 and 1997. The increase is greatest in the 16–44 age group, and least among women aged 45–84. SCB attributes this large increase in the number of overweight persons primarily to reduced daily exercise.

Sweden is one of the European countries with the lowest registered sale of alcoholic drinks. The sale of alcohol has been on the decrease, and the number of alcohol-related deaths has fallen, since the 1970s. Different groups in society, however, exhibit different patterns of consumption, which explains why there are differences



in alcohol-related deaths between men and women, between the young and old, and between different professional and social groups. These differences are of long standing and are likely to be with us for a long time to come. Drinking habits in Sweden have nevertheless generally improved over a long succession of years.

Smoking has also declined over the past twenty years. From the middle of the 1980s to 1998, the number of men who smoked daily decreased from 36 to 21 per cent and the number of women from 29 to 23 per cent. Thus, a slightly larger proportion of women than men today smoke daily, but the number of women who have never smoked at all still exceeds that of men. Smoking also exhibits class differences. These are especially pronounced among people under 50 – where daily smoking is much more prevalent among blue-collar workers than white-collar workers according to SCB's ULF survey.

As a whole, improved life styles have contributed to the increase in life expectancy. But there are also negative aspects. The tendency to increasing overweight among young adults can – if it is not stemmed – lead to impaired health and a lower work capacity in the next 20–30 years as these generations grow older. It is difficult to assess the extent to which increasing stress in working life and other situations will negatively affect future health and life expectancy.

The healthy years of life

To gain an idea of the quality of the extra years that have been added to people's lives, data on life expectancy must be supplemented by data on how people actually experience their health and functional capacity. Since 1975, the Central Bureau of Statistics (scb) has included questions about the state of people's health, functional capacity and illness in the above-mentioned ULF surveys. This information has been used by scb to calculate the 'expected healthy years of life' for particular age spans, for example, for people between 45 and 54 years old.

The measure 'healthy year' is arrived at by combining mortality and illness, that is, by reducing the expected years of life by the estimated degree of ill health, based on individuals' answers about their experienced state of health, motor functions and work capacity. For the part of the population claiming full health during all measured years, no reduction is made in the expected years of life. The expected years of life for the part of the population experiencing slight ill-health are given the weight 0.9, the part experiencing medium ill health, 0.7, and that experiencing severe ill health, 0.5. The measure is naturally only approximate since the weights used are arbitrarily set.

	Period					
	1981–85			1995–99		
	in age spans					
	45–54	55–64	65–74	45–54	55–64	65–74
Women						
Total number of years	9.7	9.3	8.4	9.8	9.4	8.6
Years of full health	5.2	3.5	2.3	5.0	3.4	2.0
Years of slight ill health	2.7	3.0	2.9	3.1	3.5	3.7
Years of medium ill health	1.3	1.9	2.0	1.1	1.7	2.0
Years of severe ill health	0.5	1.0	1.2	0.6	0.9	1.0
Healthy years	8.8	8.0	6.9	8.8	8.2	7.2
Men						
Total number of years	9.4	8.7	7.0	9.6	9.1	7.7
Years of full health	5.4	3.4	2.1	5.3	3.8	2.2
Years of slight ill health	2.6	2.7	2.5	2.9	3.2	3.5
Years of medium ill health	1.0	1.5	1.5	0.8	1.3	1.4
Years of severe ill health	0.5	1.1	1.0	0.5	0.7	0.7
Healthy years	8.6	7.4	5.9	8.8	8.0	6.6
Explanation: The total number of years for each 10-year span consists of the expected average number of years of life for that period. The calculations are based on the age group 16–84. Note that the average number of years for e.g. the group 45–54 is somewhat underestimated since the risk of dying between 16 and 44 is accumulated in the calculation. Healthy years of life per 10-year span are derived from the average number of years of life during the different 10-			year spans reduced by the risk of death and years of reduced health. Years of reduced health are given a value less than 1. The weighing is based on the proportion of persons claiming to have full health, (weight 1) slight ill health (weight 0.9), medium ill health (weight 0.7) and severe ill health (weight 0.5).			
			SOURCE: SCB'S SURVEY OF THE LIVING CONDITIONS OF THE POPULATION (ULF) AND MORTALITY DATA FROM SCB'S MORTALITY REGISTER			

The total number of years compared with healthy years for different 10-year age spans. The number of healthy years have increased with time. Despite the fact that young people are expected to live longer than earlier generations, it is the older generations who have experienced the greatest increase in healthy years of life.

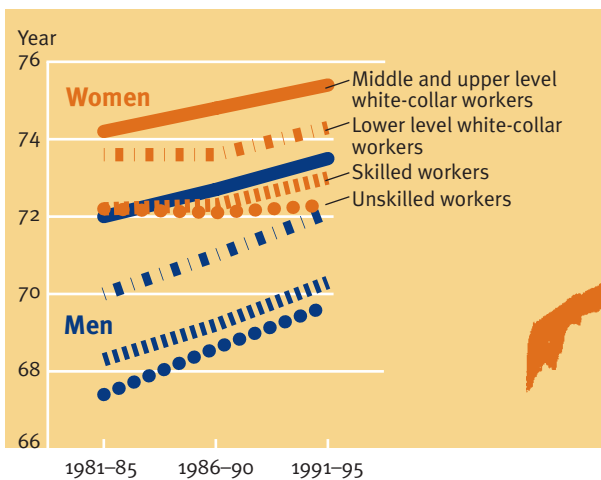
Since the beginning of the 1980s, expected healthy years of life remaining have increased for both men and women. The increase has, however, been greater for men than for women, confirming that the relatively greater increase in life expectancy for men since the beginning of the 1980s has been made up of relatively healthy years. The years which have been added to the lives of both men and women consist of an increased number of years of slight ill health, especially among the elderly. Moreover, the years of medium ill health or severe ill health have decreased since the beginning of the 1980s, with the exception of a slight tendency towards increased ill health among women aged 45–54.

The number of extra years of life, like the number of extra healthy years, has been greatest for 65–74-year-olds, and after them come 55–64-year-olds, that is, those comprising the oldest group of employed persons.

Social differences in healthy years

Average life expectancy has increased in most socio-economic groups. But differences in the number of healthy years between groups, and between the sexes within one and the same group, are still considerable, although they show signs of diminishing. The most striking difference in healthy years is found between unskilled male workers and female salaried employees at middle or upper levels.

For men, the number of healthy years has increased, irrespective of the socio-economic group they belong to. Average life expectancy for male blue-collar workers is lower than for male white-collar workers, but this difference has grown less. For women, the picture is different. On the one hand, the number of healthy years for women has shown a much smaller increase within all groups than for men. On the other hand, differences between socio-economic groups have increased for women, rather than diminished as for men. For unskilled women, there has hardly been any increase at all.



Explanation: The calculations are based on socio-economic groups between the ages of 35 and 84. Years of reduced health are given a value less than 1. The weighing is based on the proportion of persons claiming to have full health, (weight 1) slight ill health (weight 0.9), medium ill health (weight 0.7) and severe ill health (weight 0.5).

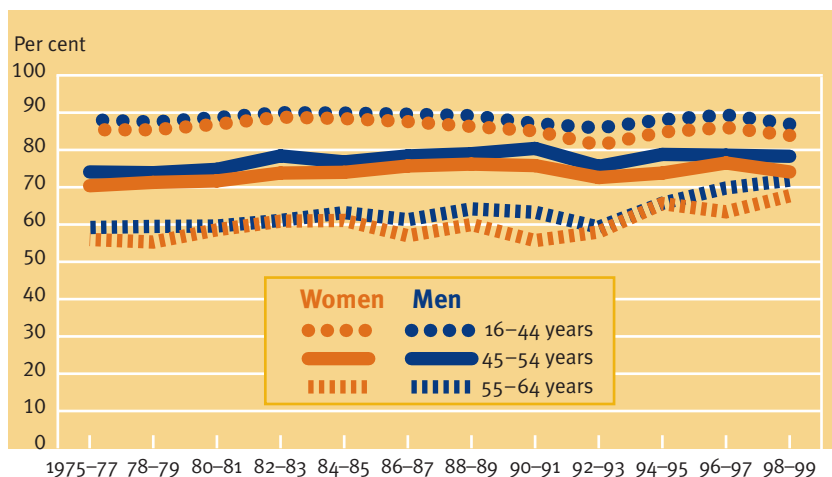
SOURCE: SCB'S SURVEY OF THE LIVING CONDITIONS OF THE POPULATION (ULF), MORTALITY DATA FROM SCB'S MORTALITY REGISTER AND CENSUS AND HOUSING SURVEY.

Healthy years for various socio-economic groups. The social differences in healthy years remain. The gap between white-collar workers and blue-collar workers has diminished among men, but increased among women between 1981 and 1995.

The differences in life expectancy for different socio-economic groups is largely explained by living habits such as smoking and drinking. Often, a number of unhealthy living habits are found in the same individuals. Differences may become less pronounced as the public becomes increasingly aware of the importance of good living habits. Nevertheless, it is probable that social differences in health will remain for a long time to come.

Health has improved – especially for the older labour force

For younger members of the population normally engaged in gainful employment, no major changes in their state of health have taken place over the past 25 years. Almost 90 per cent of all people aged 16–44 enjoy good health according to the above-mentioned ULF surveys. As a whole, this has been the case since the middle of the 1970s, with no noticeable difference between men and women.



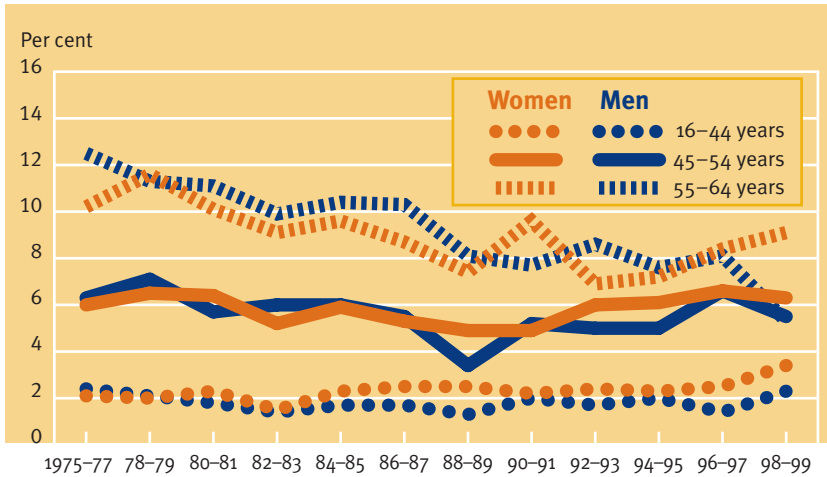
SOURCE: SCB'S SURVEY OF THE LIVING CONDITIONS OF THE POPULATION (ULF)

The proportion of people who judge their general state of health to be good. The state of health of older people in the labour force has improved considerably.

Older people in the labour force account for the increase in healthy years. Since 1975, there has been a slight increase in the proportion of persons aged 45–54 enjoying good health, and a sharp increase in the proportion of those aged 55–64. The proportion is marginally higher for men than for women within each age group.

As the proportion of people reporting general good health has increased, the proportion of those with bad health has decreased. The improvement is especially marked for men aged 55–64, where the

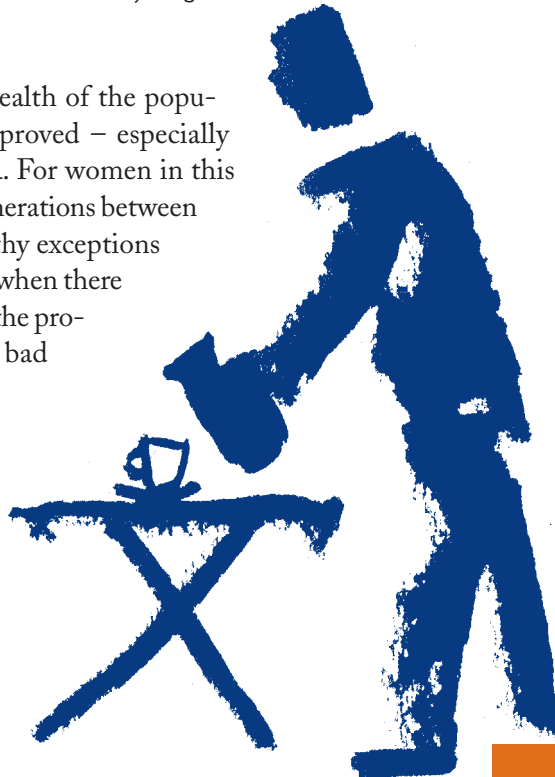
proportion of men with bad health has been roughly halved. However, among the younger members of the population, the proportion of those reporting a bad state of health has tended to increase since 1996.

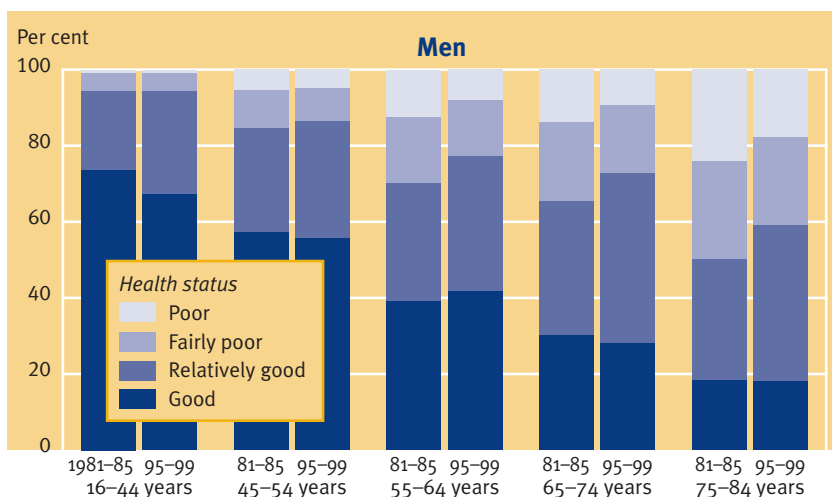
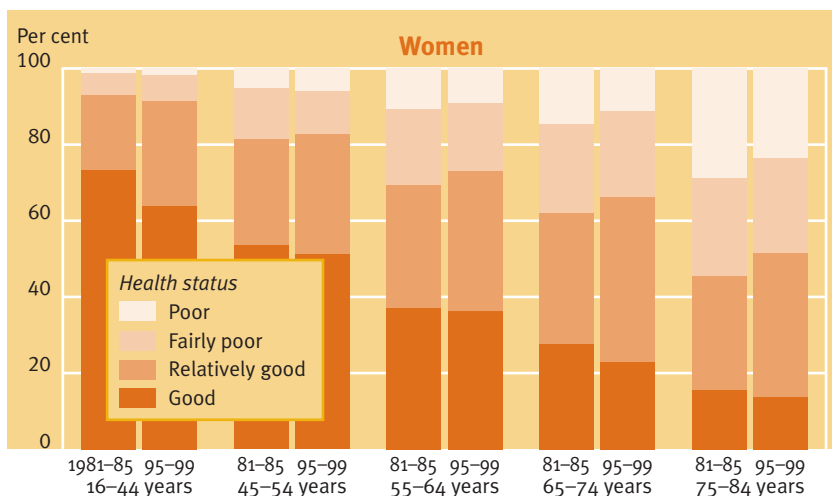


SOURCE: SCB'S SURVEY OF THE LIVING CONDITIONS OF THE POPULATION (ULF)

The proportion of people who judge their general state of health to be bad. A significantly smaller proportion of the elderly male population report a bad state of health compared with the mid-1970s. A parallel development is seen for women between 55 and 64 up to the mid-1990s. Subsequently, this positive trend has been broken for older women as for younger categories aged 16-44.

The conclusion is that the health of the population aged up to 65 has improved – especially among older men aged 55-64. For women in this age group and for younger generations between 16 and 44, there are noteworthy exceptions towards the end of the 1990s, when there was a pronounced increase in the proportion of those reporting bad health.





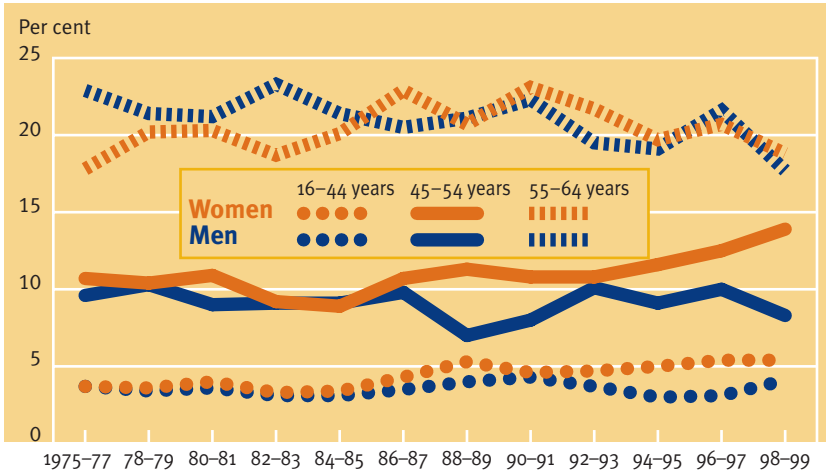
Explanation: Full health is defined as the absence of reduced work capacity due to long-term illness and the absence of reduced motor functions or disability plus the fact that the individual has answered that he/she enjoys a good general state of health.
 SOURCE: SCB'S SURVEY OF THE LIVING CONDITIONS OF THE POPULATION (ULF)



The proportion of people according to health level. With age, the number of years of full health diminishes and the number of years of bad health increases. Over time, there has been a noticeable increase in years of slight ill health at the expense of years of medium ill health and severe ill health.

Work capacity

Have the improvements in experienced health reported by people aged 45 and upwards during the past 25 years been matched by improvements in their work capacity? In SCB's ULF surveys, people were asked whether their work capacity had been reduced due to long-term illness.



SOURCE: SCB'S SURVEY OF THE LIVING CONDITIONS OF THE POPULATION (ULF)

The proportion of people judging their work capacity to have been seriously reduced due to long-term illness. For women under 55, this proportion has increased during the past 15 years.

The proportion of men aged 16–54 with seriously reduced work capacity due to long-term illness has not changed significantly since 1975. Among older men aged 55–64, the proportion reporting seriously reduced work capacity has on the other hand decreased from 23 per cent in the mid-1970s to 18 per cent at the end of the 1990s. Among older men there is thus a trend towards improved work capacity corresponding to the health developments described above.

For women, the long-term picture is different in a number of respects. The proportion of women between 55 and 64 experiencing seriously reduced work capacity increased from the mid-1970s to the beginning of the 1990s. This negative trend was subsequently reversed and at the end of the 1990s the proportion was 18 per cent – the same as for men in the same age group – which is the same level as in the mid-1970s. For women under 55 who have seriously reduced work capacity, the proportion has on the other hand increased during the past 15 years.

Developments in the reported work capacity of women are reflected in the statistics of early retirement pensions and long-term sick-leave. Increasingly more women now receive disability benefits. One possible

explanation is that the male work environment received much more attention than that of women during the 1980s and 1990s. Evidence of this is found in the fact that of the SEK 10 billion which the Working Life Fund had at its disposal at the beginning of the 1990s – and was spent on supporting and developing workplaces to promote a healthier working life – only about 20 per cent went to municipalities and county councils, where female labour predominates. It would seem that employers in these workplaces were considerably less interested in making investments in the work environment. On the other hand, the marked trend towards improved health and work capacity of men has been closely linked to the development of better work environments.

Another explanation may be that women born in the 1940s, and who entered the labour market during the 1960s and 1970s, have generally had to bear a heavier burden combining family with work than older women who did not have jobs to the same extent. If this is the case, the increase in the proportion of women reporting reduced work capacity due to long-term illness is a clear warning that further deterioration and still lower employment is to be expected as these women reach the age of 55 and over.

The health and functional capacity of gainfully employed people

The National Social Insurance Board commissioned SCB to conduct a survey during the spring of 2000 of a random sample of people aged between 35 and 70. Respondents were asked questions regarding their health, work capacity, work conditions and desire to retire from working life. Special questions were also put to those who had already left the workplace with early retirement or old age pensions.

The following is a report of some of the results relating to their reported motor functions and state of health. The tables are based on the answers of individuals aged between 35 and 64 who were employed and not receiving sickness benefit or early retirement pension to any extent at the time of the survey.



Motor capacity

The survey included a number of questions on people's motor capacity. These questions correspond to those asked in the United States' nationwide Health and Retirement Survey and can be regarded as indicators of people's work capacity.

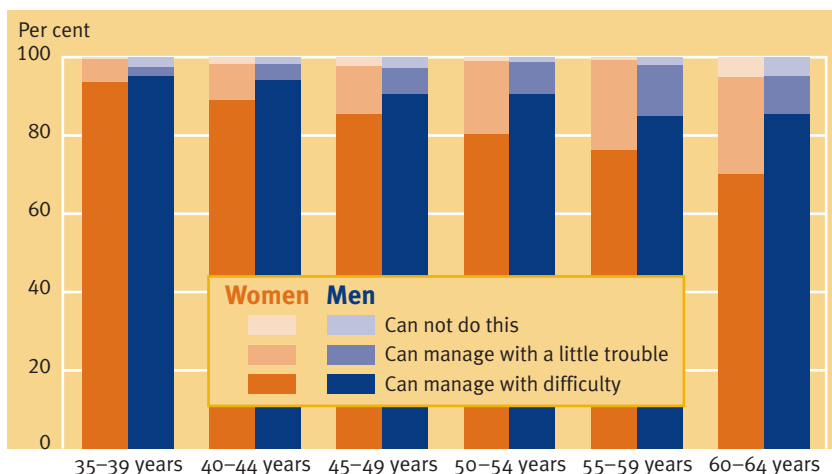
The question was: Can you manage today without difficulty to ...	No, definitely not	By and large yes	By and large Yes, without difficulty	Yes, with some difficulty
Sit in a chair for 2 hours	4	96	74	22
Get up after sitting in a chair for a lengthy period	2	98	74	24
Walk 200–300 meters	2	98	95	3
Walk 2 km or more	2	98	90	8
Run or jog more than 1 km	15	85	54	31
Bend down or kneel	3	97	77	20
Pick up a coin from a table	2	98	96	2
Raise arms above shoulder height	3	97	89	8
Walk up 2 flights without resting	2	98	92	6
Lift or carry 5 kg	4	96	83	13
Move a table or vacuum clean	2	98	88	10

SOURCE: RFV, QUESTIONNAIRE TO INDIVIDUALS IN THE YEAR 2000

Motor capacity among employed people. Proportion of employed people aged 35–64 who judge that they can or cannot manage to perform the various tasks.

Motor capacity among employed people is very good according to the survey. With the exception mainly of the capacity to run or jog a kilometre or more, only 2–6 per cent of all employed people aged 35–64 report serious difficulty performing the tasks in question. The remainder have, by and large, no difficulty, or scarcely any difficulty, in performing these tasks.

The answers to the different questions about the motor capacity of individuals have been combined to show the result according to age and sex. With advancing age, an increasing proportion answer that they can manage with some difficulty to perform the motor functions they were asked to consider. Nevertheless, among those aged 55–64, just over 85 per cent of men and between 70 and 75 per cent of women answer that they have a very good motor capacity. The survey clearly shows that the majority of employed people in these age groups do not suffer from any motor disability, but that women of all ages have slightly greater difficulty than men.



Explanation: The degree of motor capacity has been calculated on the basis of individual answers to the questions in the table on page 39.

SOURCE: RFV, QUESTIONNAIRE TO INDIVIDUALS IN THE YEAR 2000

Proportion of employed people according to the degree of motor capacity. Motor capacity deteriorates with age but is generally good among professionally active people.

Sickness and work capacity

Respondents were also asked if they had any form of sickness which limited their work capacity. While the majority of the professionally active consider themselves to have full or only slightly impaired motor capacity, a large proportion report that they have some form of sickness which limits their work capacity.

The question asked was: Is your work capacity affected by ...

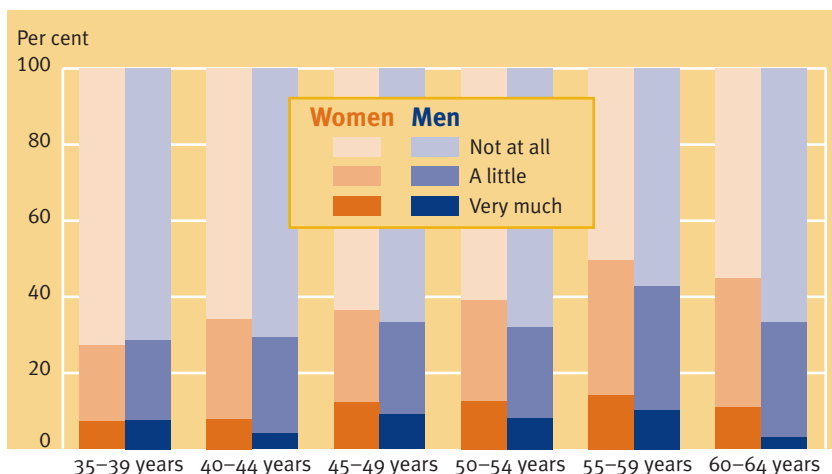
Sickness	Work capacity:			Have no sickness
	affected a lot	affected a little	affected not at all	
high blood pressure	2	9	17	72
diabetes	1	2	14	84
cancer	1	1	13	85
chronic lung disease	1	1	12	86
heart and vascular disease	1	2	13	85
emotional, nervous or psychological problem	2	9	13	76
joint or muscular problem	9	27	9	55
asthma	1	4	14	81
back pain	10	32	10	48
kidney or incontinence problem	1	3	14	82
ulcer or gastric catarrh	4	15	14	68

SOURCE: RFV, QUESTIONNAIRE TO INDIVIDUALS IN THE YEAR 2000

Work capacity among the professionally active. The proportion of professionally active people aged 35–64 who consider their work capacity to be affected by various illnesses. The three most common ailments among the professionally active are back pain, joint or muscular problems, and ulcers or stomach catarrh, but for the majority of those suffering from them, these ailments had only a negligible effect on their work capacity.

Joint and muscular problems, back pain and stomach trouble are the most common ailments mentioned in the survey.

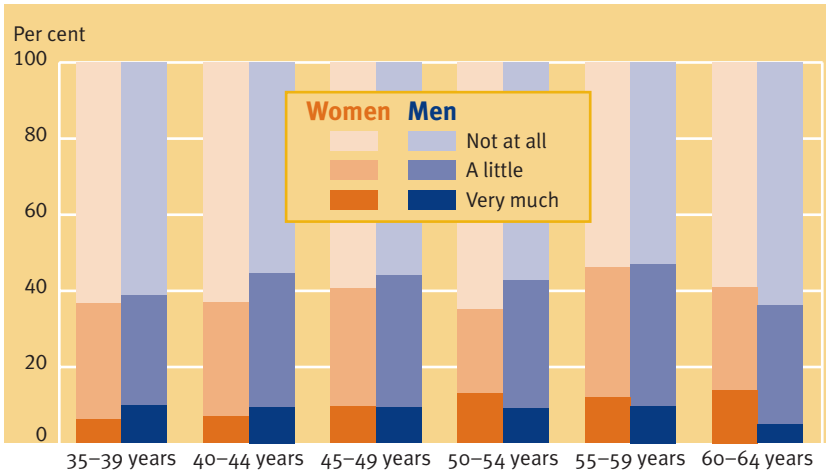
Just over 36 per cent state that they have joint or muscular problems affecting their work capacity to a greater or lesser extent, but the majority indicate only slight discomfort. Joint and muscular problems are more common among women than men, and a larger proportion of women say they suffer very much. Furthermore, joint and muscular problems tend to increase with age.



SOURCE: RFV, QUESTIONNAIRE TO INDIVIDUALS IN THE YEAR 2000

Joint or muscular problems among the professionally active. Professionally active people with joint or muscular problems affecting their work capacity at the ages 35–64 are divided up according to the degree of discomfort. The proportion suffering discomfort increases with age up to the age of 60, after which it decreases since those with discomfort often become early retirement pensioners.

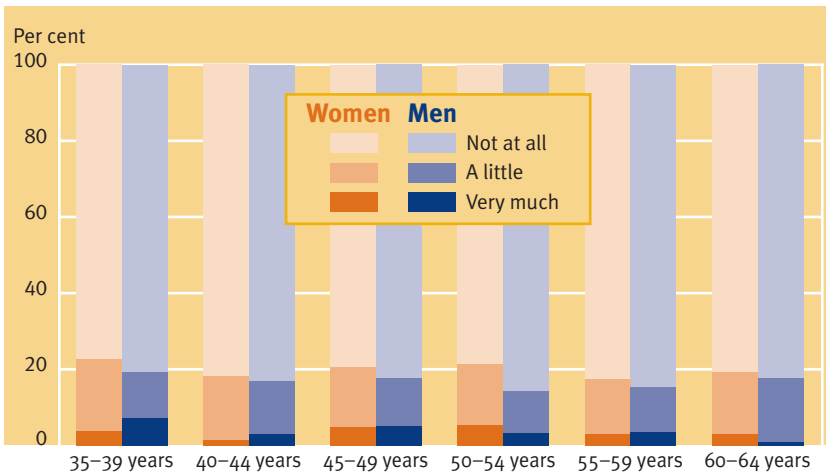
More than 40 per cent of professionally active people suffer from back pain, of which roughly 10 per cent experience severe discomfort. Most remarkable is the fact that back pain is already very common among younger age groups. In other words, the link with the ageing process is not particularly clear-cut. The incidence of back pain is nevertheless highest in the age group 55–59. On the other hand, clear differences emerge between the sexes. There is a marked tendency for women over 50 to suffer more frequently from back pain than men of the same age. We must bear in mind, however, that the proportions apply to those still professionally active. Many people suffering severe discomfort have already taken early retirement and thus do not figure in the report. The striking difference between the sexes in this age group may possibly be traced to the greater ease with which men are able to take early retirement pension than women.



SOURCE: RFV, QUESTIONNAIRE TO INDIVIDUALS IN THE YEAR 2000

Back pain among the professionally active. Professionally active people with back pain affecting their work capacity between the ages of 35 and 64 are grouped according to the degree of discomfort. For women, the proportion of those suffering discomfort increases with age.

Ulcers or stomach catarrh are the third most common national illness affecting people's work capacity. Approximately 20 per cent state that they suffer from stomach trouble, but that generally this has very little effect on their work capacity. Nor does stomach trouble seem to be associated with any particular age group, being spread evenly among all age groups, but it is found more often among women than among men.



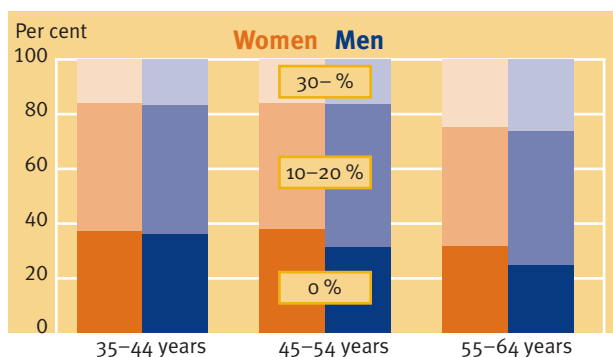
SOURCE: RFV, QUESTIONNAIRE TO INDIVIDUALS IN THE YEAR 2000

Ulcers or stomach catarrh among the professionally active. Professionally active people with stomach problems affecting their work capacity at the ages 35-64 are divided up according to the incidence of ulcers or stomach catarrh.

Health and work capacity compared with the best years of life

The participants in the survey were asked, partly, to compare their state of health with the best state of health they had ever experienced, and partly, to compare their work capacity with the best work capacity they had ever had. They had to answer using a ten-level scale, possible choices ranging from 0 to 100 per cent deterioration.

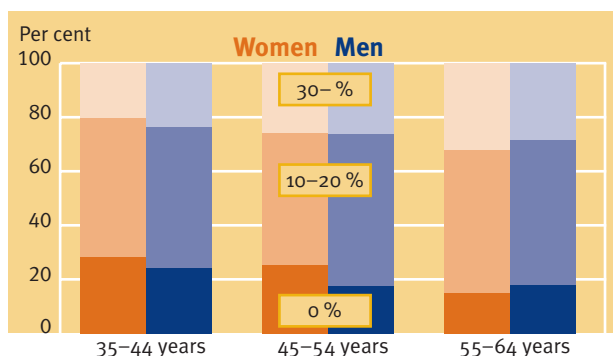
Both health and work capacity deteriorates somewhat with age according to these ratings. With advancing age, differences between the sexes become more pronounced – the health of older women deteriorates more than that of men, while the work capacity of older men deteriorates to a greater extent than that of women of corresponding age.



Health deterioration among the professionally active. The degree of health deterioration in relation to the best state of health experienced in their lives among professionally active people between the ages of 35 and 64.

Explanation: The question was: How many points on a scale of 0–10 would you give to describe your current state of health? Assume that your best-ever state of health would be worth 10 points.

SOURCE: RFV, QUESTIONNAIRE TO INDIVIDUALS IN THE YEAR 2000



Deterioration in work capacity among the professionally active. The degree of deterioration in work capacity in relation to the best work capacity experienced in their lives among professionally active people between the ages of 35 and 64.

Explanation: The question was: How many points on a scale of 0–10 would you give to describe your current work capacity? Assume that your work capacity at its best would be worth 10 points.

SOURCE: RFV, QUESTIONNAIRE TO INDIVIDUALS IN THE YEAR 2000

The overall result shows that, despite a certain deterioration in health compared with the best years, well over 75 per cent of both men and women in the age group 50–64 report scarcely any or no change in work capacity compared to what they consider to have been their best years. In other words, the self-assessed work capacity among the majority of older professionally active people is good. Once again, it must be emphasized that the results are based on those still active in working life, while those who have already exited from working life, for example, with disability, are not included in the data in these figures.

Conclusions

The population of Sweden is getting progressively older, thanks to advances in medical science and a healthier lifestyle. The increased average life span of Swedish citizens reflects an international trend, and is expected to continue. Healthy years have increased in step with the increase in life expectancy and the improvement in the health of most age groups. Up to the age of 85, the number of years of perfect health decreases while the number of years of poor health increases – due mainly to an increase in years of slightly poor health. In other words, the increase in life expectancy has been accompanied by persons surviving with mildly worse health, on average. Social differences remain but the health of all social groups has improved. However, the improvement for poorly educated women is negligible.

Health statistics reveal that the majority of older professionally active people enjoy good health. Health problems among people aged 55–64 have diminished successively, more for men than for women. This is also the conclusion arrived at by a statistical analysis recently published by SCB (*Age and Living Conditions 1980–1998, year 2000*). The statistics indicate an overall improvement in health compared with the mid-1970s.

Public health has thus steadily improved since the middle of the 1970s, but during this period more and more people (approximately 200,000) have exited the labour force with disability. This paradox may be partially explained by the fact that the early retirement scheme has sometimes been used as an instrument for facilitating premature retirement from working life, with the common consent of employer and union. Instead of providing a working environment and tasks better suited to older staff, it has become the norm to offer them early retirement. As we discussed in the first chapter, this approach favours the employer – at least in the short term – and has the backing of the unions, whose focus is on the interests of their younger members. Nor is it particularly unfavourable to the individual, who receives severance pay from the

company on top of an early retirement pension from the social insurance system. Those in gainful employment are the losers. The nation loses a competent workforce and the results of its production. More money than necessary is transferred from the working population to pay for this institutionalized practice.

It is possible that the large investments made during the 1980s and 1990s in improvements to the typical male work environment have contributed to the striking improvement in men's health during this period. Women have benefited as much from the progress in medical science as men, but the typical work environments of women have been neglected. Health statistics for women sound a warning bell – since the mid-1980s a growing proportion of women consider their state of health to be poor, according to SCB's ULF surveys. Meanwhile, there has been an increase in the proportion of women, both in the age group 16–44 and that of 45–54, describing their work capacity as low due to long-term sickness. In earlier generations, it was usual for women to work a few years before having children. Then they left working life for a number of years, returning when much older to work for a few further years. Today, most women plan to work a 'full' professional life, which often means many more years of work under heavy physical strain in the fields of nursing, geriatric care, and care of the disabled. This development further under-

lines the need for improvements in many of the typical female workplaces in order to convert them into good modern work environments. The work environment is examined in the following chapter.



The work environment – older people's experience can be an asset in a flexible work environment

The work environment is a concept with very broad scope. Usually one makes a distinction between the physical and the psycho-social work environment. In a wider perspective, opportunities for individual development may also be included as an aspect of work environment. Workplace organization and leadership form the framework within which efforts to improve the work environment must be made. Developments in the field of work environment during the past decades have not been entirely positive. The physical work environment in typical areas of male activity, for example, in industry, has undergone tangible improvements. Meanwhile, there are signs that the psycho-social environment has in many cases deteriorated, especially in workplaces dominated by female employees.

What is a good work environment?

The physical work environment has traditionally been the focus of attention in discussions of the work environment. Traditionally, many industrial workplaces have been – and some still are – dangerous. Originally, the concept 'industrial health' covered accident prevention and protection against substances injurious to health. During the past half-century, considerable improvements have been made in industrial health and the safety of workplaces. In industry, significant improvements have continued to be made during recent decades, even though there will always be a risk of serious accidents and work-related illnesses in environments where machines and chemicals are used. Over the past few decades, technological advances have contributed to eliminating, or at least minimizing, many risks of injury.

In Sweden, measures to improve the work environment have long been high on the political agenda. In 1976, the concept of the work environment was officially extended to include not only medical but also psychological and social aspects (Work Environment Survey, SOU 1976:1). In the SCB survey of the living conditions of the population (ULF), which measures among other things the development of the work environment from the point of view of the individual, a start was made to collecting information on the physical, psychological and social work environment in the mid-1970s.

The physical work environment is the most important factor determining how long older people can continue working and whether or not they wish to. Physically taxing work includes heavy lifting, awkward work postures, jolts and vibration, extreme heat and cold, as well as dirt and noise. A good work environment is one where requirements are suitably adjusted and where people feel they have sufficient control over their work situation. In addition, a good work environment fosters a positive social climate and affords people the opportunity to develop their competence and to perform a varying range of work tasks. Flexible working hours are also important, especially at certain ages in working life. Work environment factors are relevant to everyone irrespective of age, but some of them have special importance for employers wishing to retain older workers without sacrificing profitability.

Structural changes in the labour market

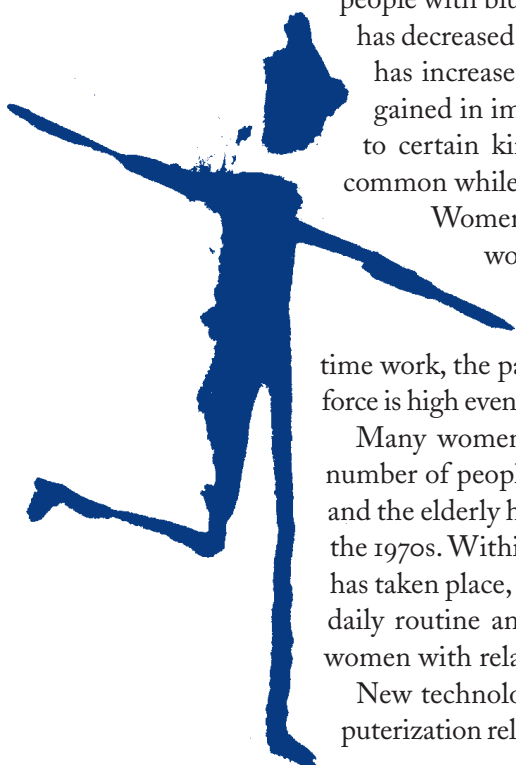
The labour market has undergone profound changes during the past 25 years. The public sector has first been extended and then, during the 1990s, slimmed down again. The proportion of employed persons within the relatively risk-prone sectors of agriculture, industry and construction – dominated by men – has diminished since 1975. The proportion of people with blue-collar jobs among the working population has decreased while the proportion of white-collar workers has increased. Meanwhile, the private service sector has gained in importance. These structural changes have led to certain kinds of work environments becoming more common while others have become rarer.

Women born in the 1940s and later participate in working life to nearly the same extent as men.

Thanks to the availability of a parental allowance and a positive attitude to part-time work, the participation of women in the Swedish labour force is high even in the years immediately following childbirth.

Many women work in the health and care sectors. The number of people employed in care of the disabled, children and the elderly has increased dramatically since the middle of the 1970s. Within the health sector, little ergonomic progress has taken place, despite the fact that heavy lifts are part of the daily routine and that a large proportion of employees are women with relatively less physical strength than men.

New technology in the form of mechanization and computerization relieves the pressure of physical work and creates



opportunities for the development of friendlier environments. However, increased computerization may also result in more passive work tasks with limited scope for personal development, and thus the risk of additional work environment problems.

In summary, there have been both improvements and new challenges in the work environment over the past 25 years, reflecting structural changes in the labour market. Developments have been mainly positive in the shrinking industrial sector dominated by men, but in the growing health and care sector dominated by women comparatively little has happened.

Physical capacity

This section and the one following draw heavily on Chapters 10 and 14 in Juhani Ilmarinen's "Ageing Workers in the European Union – Status and promotion of work ability, employability and employment", Finnish Institute of Occupational Health, Helsinki 1999. Ilmarinen has developed practical methods for work environment activities that have also gained the attention of governments, companies and organizations in many countries, including Sweden.

Deterioration in the functional capacity of the body already begins to set in when people are in their thirties. However, changes do not follow any precise or predetermined development curve. Individual development depends very much on specific working habits and lifestyles. Typically, the range of variation in physical capacity among individuals increases with advancing age.

Among the more common physical changes which come with advancing years are impaired sight and hearing. For example, older people begin to have difficulty reading small print, but this is easily remedied with the aid of glasses.

Other somatic changes come with increasing age. The heart's ability to absorb oxygen diminishes from the age of 20 to 60 by roughly one third. Moreover, the ability to absorb oxygen is, in general, roughly one third less in women than in men. If the necessary oxygen intake to carry out a task exceeds 50 per cent of a person's maximum capacity, this results in over-exertion. This is an example of how ageing can lead to worsened work capacity. It is also a well-known fact that the muscular strength and mobility of a 50–60-year-old is less than that of a 35-year-old. At the same time, it is difficult to separate this factor from another, namely, overweight and lack of exercise. Physical fitness is especially important for people with physically taxing work. There is a commonly held belief that hard manual labour is a form of exercise in itself. In fact, it seems

rather to be the case that manual labour – irrespective of age – calls for exercise if a person is to retain good health and satisfactory work capacity. Considering the physical changes that take place in a normal population, physical exercise is especially important for older people.

Internationally, Sweden has a good record when it comes to levels of physical strain for middle-aged and older professionally active people. This is clearly demonstrated in a rating made by EU member states on the basis of the so-called Eurobarometer which was carried out in 1996. Only Luxembourg showed a better result.

Country	Women	Men	Women and men
Luxembourg	8	8	16
Sweden	12	7	19
Denmark	19	7	26
The Netherlands	13	15	28
Belgium	25	14	39
Ireland	18	24	42
Germany	23	21	44
Italy	23	23	46
Austria	18	29	47
Finland	27	28	55
Great Britain	29	31	60
Portugal	32	30	62
Spain	29	37	66
France	39	41	80
Greece	45	45	90

Physical strain at work among professionally active people aged 45 and older. Sweden has a good record when physical strain among older people in the labour force is compared.

Note: Index figures are based on the Eurobarometer 1996, where questions were asked relating to the occurrence of tiring work postures, heavy lifts and repeated movements. A lower figure indicates less strain.

SOURCE: JUHANI ILMARINEN, AGEING WORKERS IN THE EUROPEAN UNION – STATUS AND PROMOTION OF WORK ABILITY, EMPLOYABILITY AND EMPLOYMENT. FINNISH INSTITUTE OF OCCUPATIONAL HEALTH, HELSINKI 1999

Mental capacity

A conscious and premeditated human action is described as a process made up of three stages. The chain begins with perception, that is, something is perceived with the aid of sight, hearing or some other sense organ. Perception is followed in the second stage by mental activity which makes use of memory. In the third stage, a motor response is triggered in the form of muscular movement, for example, speech, or hand and foot movements. All three stages appear to function more slowly – but not necessarily worse – at more advanced ages. Perception and motor responses are slower partly as a result of the kinds of deterioration in physical capacity described above.

It is possible that younger people learn new things faster. On the other hand, there are thought processes that function better in terms of quality with the passage of time, for example, the ability to use language and to solve complex problems in urgent situations. Juhani Ilmarinen (see above) has compiled the following list of characteristics which in

scientific literature have been considered to be particularly characteristic of older workers:

Wisdom	Control of one's life
Sharp-wittedness	Commitment to a job
Ability to reflect	Reliability
Ability to reason	Less unmotivated absence
Ability to grasp the big picture	Working life experience
Verbal ability	Motivation to learn new things

Wisdom is one of the most important characteristics which increases with advancing years. The concept has been defined as the experienced person's system for processing information in carrying out the tasks of life (P. B. Bates and A.J. Smith. "Toward a psychology of wisdom" in *Wisdom: Its Nature, Origin and Development*. Cambridge University Press 1990, s. 87–120). The characteristics referred to in this context are the ability to solve complex problems, the creative use of work routines and the energy to focus on the big picture.

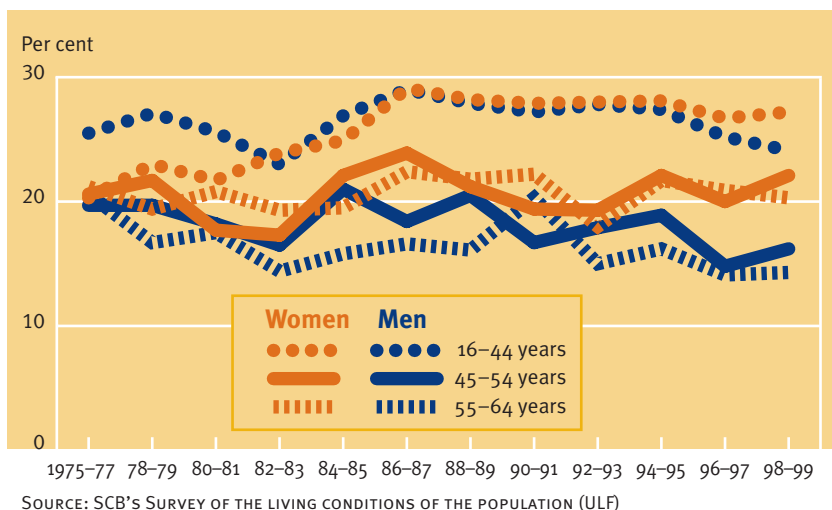
The positive characteristics mentioned above are in many cases sufficient to compensate the naturally slower speed – physical and mental – of older members of the labour force. It is possible that the potential contribution of older people to production has been underestimated in some quarters of working life. However, adjustments to the work environment in the broadest sense are required if this potential is to come into its own – and if older people are to be persuaded to stay on at work in spite of having the financial means to retire earlier.

Development of the physical work environment in Sweden

In one important respect, the physical work environment in Sweden seems to have deteriorated over the past 25 years. Heavy lifts at work have become more common among women, and it is first and foremost in the health and care sector that these lifts are performed. Towards the end of the 1990s, according to the SCB surveys of the living conditions of the population (ULF), 27 per cent of women in gainful employment aged 16–44 carried out heavy lifts on a daily basis. In the middle of the 1970s, the corresponding proportion was just over 20 per cent. The increase occurred during the first part of the 25-year period considered, that is, up to the late 1980s. During the 1990s,

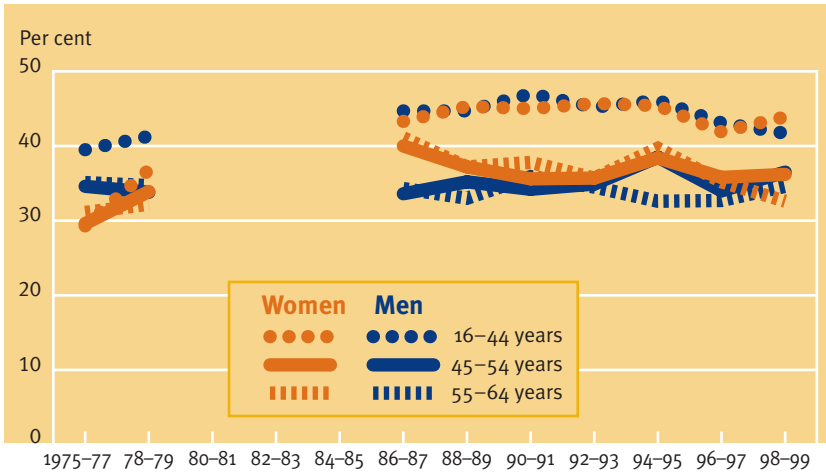


the proportion of men carrying out heavy lifts on a daily basis fell somewhat, while the proportion of women remained roughly constant. Heavy lifts are more common in the municipal sector than in the private sector.



The proportion of employed persons reporting the occurrence of heavy lifts daily at work. At the end of the 1990s, more women than men report that they carry out heavy lifts daily.

The proportion exposed to noise and excessive dirt in the workplace has diminished. It is primarily male blue-collar workers who are exposed to this type of work environment hazard. The proportion of those reporting unsuitable work postures in the ULF surveys has also declined somewhat. This decline is most pronounced for men.



Note: Information not available for the years 1980–1985

SOURCE: SCB'S SURVEYS OF THE LIVING CONDITIONS OF THE POPULATION (ULF)

The proportion of gainfully employed people reporting unsuitable work postures. The proportion of people suffering from unsuitable work postures has not changed significantly over the past 10 years.

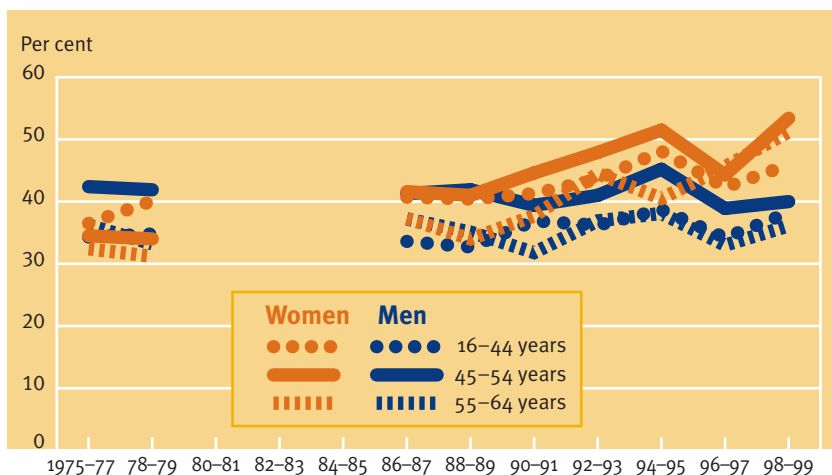
As a general rule, it would appear that the physical work environment has improved first and foremost in workplaces dominated by men in the private sector, including industry. It is also clear that people over 45 are not exposed to the same extent as younger people to heavy lifts, unsuitable work postures, noise and dirt. In this regard, work routines seem to be reasonably well adapted to the declining physical capacity associated with ageing.

Developments in the psycho-social work environment

As regards the psycho-social work environment, ULF surveys conducted since 1975 reveal, among other things, that:

- the proportion of women with psychologically strenuous work has increased
- the proportion of employees with both stressful and monotonous work increased during the 1990s
- opportunities to learn new skills have increased.

There are thus both positive and negative tendencies discernible in the psycho-social work environment. During the 1990s, a large and growing number of employed women reported that they experienced psychological strain in their work. The increase was, moreover, greater among women aged 45 and older. For men, too, we see a tendency to deterioration from the beginning of the 1990s onwards, but it is much weaker than for women.

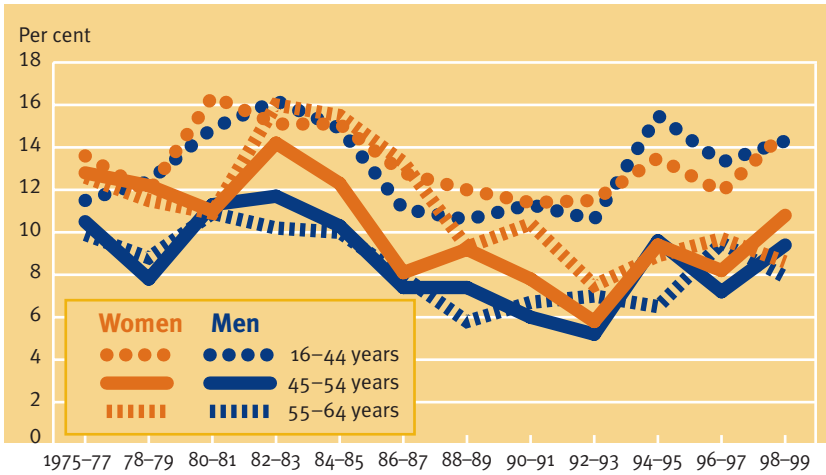


Note: Information not available for the years 1980–1985
 SOURCE: SCB'S SURVEYS OF THE LIVING CONDITIONS OF THE POPULATION (ULF)

The proportion of women reporting that they have psychologically strenuous work. The proportion increases mainly among women over 45.

Developments in the 1990s may be linked to the recession which affected the country from 1991 onwards and to employers' efforts to reduce the number of employees, both in the private and public sector. This situation led to increased overtime and a heavier workload for those still in work. At the same time, extensive restructuring took place, not least within the health and care sector, which may in itself have been a contributory factor in the worsening psychological climate.

Stressful and monotonous jobs have also become rather more common since the beginning of the 1990s, after having declined for a longer period. Young people have such jobs to a greater extent than older people.

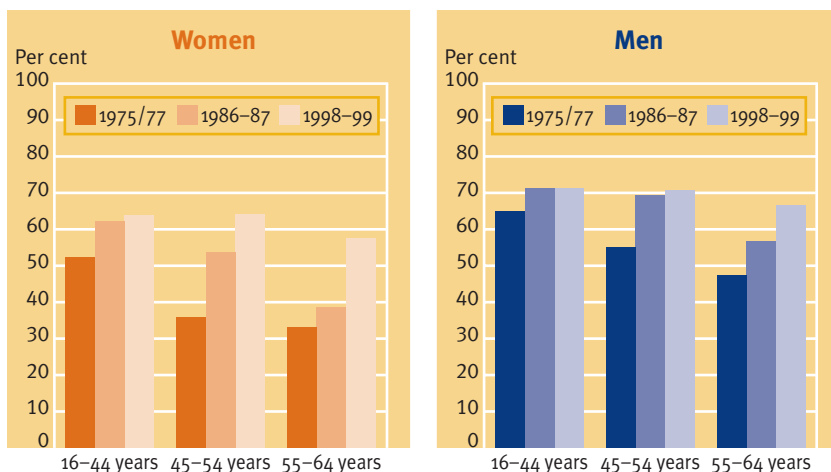


SOURCE: SCB'S SURVEYS OF THE LIVING CONDITIONS OF THE POPULATION (ULF)

The proportion of employees reporting that they have a stressful or monotonous job. Stressful and monotonous jobs are more common among young people. After a decline during the 1980s, the proportion of jobs which are stressful or monotonous again began to increase during the 1990s.

More and more people have the opportunity to learn new skills at work. At the end of the 1990s, roughly 70 per cent of men and more than 60 per cent of women reported that they had such opportunities. Since the mid-1970s, the increase has been greatest for women despite the fact that a greater proportion of men have the opportunity to learn new things irrespective of age. Young people have the opportunity to learn new skills more often than older people, as might be expected. However, interestingly enough, we observe that older employees account for the greatest increase since the 1970s.





SOURCE: SCB'S SURVEYS OF THE LIVING CONDITIONS OF THE POPULATION (ULF)

The proportion of employees given the opportunity to learn new skills at work. Employees are increasingly given the opportunity to learn new skills at work.

How employers view older workers

The National Social Insurance Board commissioned a survey of how employers and local unions regard older workers. Personnel officers and union representatives at 750 randomly selected workplaces were interviewed. Workplaces were divided into three groups according to size. Workplaces with 20-49 employees were designated as small, workplaces with 50-499 employees as medium-sized and workplaces with 500 or more employees as large. The survey was conducted during the spring of 2000.

Attitudes

In economics literature, it is a common assumption that older workers are less productive than younger ones. In practice, it is not always easy to identify the particular age at which someone becomes older. The notion of 'older' must be placed in the context of a specific work situation, and it is impossible to state the exact age at which a person's productivity may be expected to decline. Improved health later in life and improved work environments raise the age at which we may consider workers to be 'old'.



One striking finding of the series of interviews is that Swedish employers do not consider older staff (between 55 and 64) to be less productive. This view is expressed particularly strongly in the answers given by employers in the education, health and care sectors, where the majority of women are employed, but also by employers in the manufacturing industry.

	1. Older people find it harder to adapt to technological changes, reorganizations, etc	2. Younger workers are better educated	3. Younger workers are more productive
Manufacturing	3.6	3.6	2.6
Commerce, transport	3.5	3.3	2.8
Personal service	3.4	3.2	2.9
Credit institutions, etc	3.4	3.5	2.6
Education	3.2	2.5	2.2
Health and care	3.7	2.8	2.2

Note: The scale is 1–5, where 1 = do not agree at all, and 5 = completely agree.
SOURCE: RFV, INTERVIEW OF EMPLOYERS, YEAR 2000

Attitudes of employers to older workers. Employers largely agree that older workers find it difficult to adapt to changes in working life.

The employer's view of older workers is, however, not entirely positive. There seems to be a consensus that older staff find it difficult to adapt to new technology and reorganizations. This view is most prevalent within the health and care sector and industry.

Within the education, health and care sectors – where experience plays an important role – younger staff are not considered better qualified than older staff. On the other hand, the majority of employers in industry and in companies providing financial services consider younger people to be better qualified than older people. In these areas, knowledge and theory have developed at an intense pace over the past 10–15 years.

Why do older staff stop working?

According to the employers who were interviewed, older workers seldom retire before the statutory pensionable age. The most usual reason for older workers finishing earlier is reported by employers to be ill health.

Questions were also asked about the work environment: whether work activities required muscular power, carrying or lifting, bent or twisted body postures and/or sedentary or monotonous work tasks. The answers indicate that physical exertion is greatest in the health and care sectors and in industry. In industry, we also find the greatest incidence of inconvenient working hours and exposure of staff to bad work environ-

ments, including risk of accidents, heat and cold, high levels of noise, vibrations, etc.

More than 25 per cent of men between 55 and 64 work in industry and almost 35 per cent of women between 55 and 64 work in health and care, that is, the fields involving the greatest physical exertion.

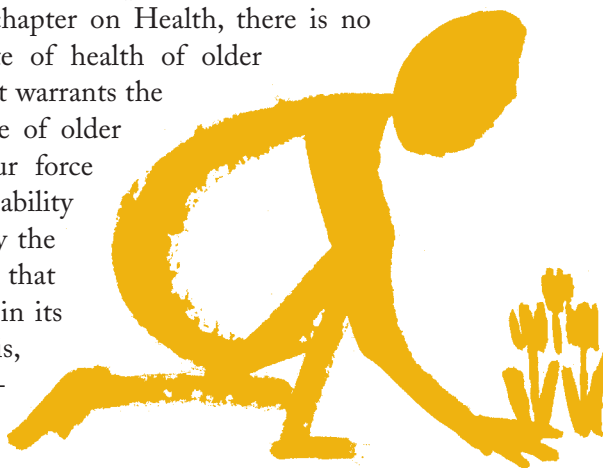
	Main reason for workplace staff exiting working life before the normal pensionable age				Total
	Health	Working conditions	Redundancy	Private reasons	
Manufacturing	60	2	15	22	100
Commerce, transport	52	7	15	26	100
Personal service	50	2	7	41	100
Credit institutions, etc.	40	5	19	37	100
Education	47	0	14	39	100
Health and care	47	7	3	43	100

SOURCE: RFV, INTERVIEW OF EMPLOYERS, YEAR 2000

Reason for exiting working life before the normal pensionable age. Employers report that health is the commonest reason for staff leaving working life prematurely.

The opinion of employers that health is the most common reason for premature retirement tallies well with information from other sources. For example, M. Palme and I. Svensson have revealed the same tendency by studying how people over 50 make their living (Micro-modelling of Retirement in Sweden, National Bureau of Economic Research Working Paper, 2000). They have studied people who have not yet retired at the age of 50 and found that disability and sickness (which after a time is succeeded by disability) are the commonest causes of early exit from the labour market. See further the chapter on Work.

As shown in the chapter on Health, there is no evidence that the state of health of older workers is so bad that it warrants the extent of the departure of older members of the labour force through sickness and disability schemes that is actually the case. It seems probable that the work environment in its broader meaning (that is, training programs, non-monetary rewards,



varying work tasks, etc.) fails to match up to what older staff require if they are to stay on. This discrepancy is a link in the institutionalized chain of circumstances surrounding older employees on the labour market which encourages them to retire from working life with the help of the social insurance system.

Do employers give older workers special consideration?

To gain an idea of whether companies make special efforts to retain older staff, employers were asked if they provided special benefits for persons aged 55 and over. They were also questioned in more general terms about measures relating to the health of staff. Identical questions were put to union representatives at the workplace.

Large workplaces reported more frequently than others that staff have access to keep-fit programs, an occupational health service, the possibility of a customized work environment, and rehabilitation. Naturally, large workplaces have greater resources, capacity, and advantages of scale than small and medium-sized ones, and are thus more easily able to offer health-promoting activities. On the other hand, the survey reveals that small and medium-sized workplaces more frequently provide health-related benefits specifically for older staff. A possible explanation of this result may be that in larger workplaces health-related benefits are more generally available for all staff, so that any special measures on behalf of older staff are considered unnecessary. This view ignores the fact that older staff have greater needs, and that special efforts may be required to foster awareness of the importance of daily exercise, correct diet, etc., for good health.

The ability to influence one's own working hours and work tasks and opportunities for skills development are – apart from health – important prerequisites for good work capacity. The pace of work increased in many workplaces during the 1990s, and more is now expected from each employee. This can be a problem for people who are getting on in years. A possible solution might be a more general acceptance of reduced working hours or an increased number of breaks during the working day.

At roughly half of the workplaces, the employer's representative answered that older staff are seldom or never offered greater opportunities for flexible working hours than the rest of the workforce. The health and care sector, however, offered the greatest opportunity for flexible working hours, the greatest opportunity for shorter working weeks and the greatest opportunity for leave of absence.

Training and skills development is more typically found at large workplaces. Agreement between the local union and employers on this issue

is however low – 35 per cent of employers consider the opportunities for competence development to be better than what the union believes to be the case. At nearly half of the workplaces in the health and care sectors, union representatives regard the opportunity for skills development to be less than what the employer claims.

As for work content, the majority of employers consider that employees are able to influence the manner in which they carry out their work tasks. By contrast, they admit that staff have less say in deciding what tasks have to be performed. The answers reveal a certain tendency for employees at large workplaces to have less opportunity of influencing the tasks to be performed than employees at small and medium-sized workplaces.

As a whole, the survey shows that employers make no special investments in older staff. The opportunities for keep-fit activities, training, flexible working hours, etc., which are available to all staff are possibly considered sufficient. On the other hand, scientific studies (see, for example, a number of studies in the *Scandinavian Journal of Work, Environment & Health*, vol. 23, supplement 1, 1997) indicate that health and work capacity would be better maintained among older people if special efforts were made to adapt workplaces to those aged 45 and older.

Recruiting older workers

To what extent do employers recruit new staff from among older workers? Several investigations indicate that changing jobs after the age of 50 can be a problem.

According to a study by Behrenz- and Delander (*Recruitment Behaviour of Employers – an interview survey*, SOU 1996:34), older recruits are discriminated against by employers' methods of selection. As many as 15 per cent of employers in the public sector, 30 per cent in the private service sector, and 20 per cent in the rest of the private sector, said that applicants over 45 years old were no longer considered after the first round of eliminations.

The Swedish Labour Market Board (AMS) has investigated (Ura 1998:9, *Employer Attitudes*) the attitudes of employers to different groups of applicants. Approximately 40 per cent of respondents were negative or very negative to employing applicants over 55 years old while 45 per cent were neutral. Only 11 per cent were positive. According to the survey, employers in the private sector are more negative to older workers than employers in the public sector. In the areas of agriculture, industry and construction, there is a clearly negative attitude to applicants older than 55.

In the Swedish Social Insurance Board's questionnaire to employers in the year 2000, 71 per cent of employers answered that they seldom or never hired new recruits over the age of 50. Among large workplaces, however, a greater proportion of employers claimed that they often hired new recruits over the age of 50. In the education, health and care sectors, people over 50 are more frequently hired – over 50 per cent of the workplaces in these areas answered that they hired new recruits over the age of 50.

According to a report from AMS (Ura 2000:3, Re-employment of unemployed persons on the Swedish labour market), re-employment accounts for a large proportion of new jobs in the care sector. Moreover, re-employment is more common among persons in older age groups.

In summary, it appears to be difficult for older persons to change jobs, which is confirmed by several studies. The experience of two international recruitment agencies specializing in providing employment for older workers reveals, however, that a reverse strategy can prove successful.

Two recruitment agencies which successfully provide employment for older workers

The recruitment agency Manpower employs 1.6 million persons worldwide, of which approximately one fourth are over the age of 55. Manpower considers there to be no difference between younger and older persons when it comes to coping with the agency's training programs.

According to Manpower, it is qualities such as experience and reliability which explain why Manpower's older workers are appreciated precisely because of their age.

Olsten is another recruitment agency with positive experience of employing older workers. In 1993, Olsten launched its Mature Advantage Program in the USA, aimed specifically at retired persons over the age of 55. In 2000, this group made up approximately 15 per cent of Olsten's personnel. Older staff are particularly sought after as sales personnel, thanks, among other things, to their strong work ethic, according to Olsten.

SOURCE: NEW OPPORTUNITIES FOR OLDER WORKERS. COMMITTEE FOR ECONOMIC DEVELOPMENT. WASHINGTON DC. 1999.

If employers value qualities such as experience, wisdom, loyalty and the ability to see the big picture as highly as speed, they ought to be interested in both retaining and recruiting older workers.

Health problems are cited as the main reason for people leaving the workforce before the normal age of retirement. To what extent does 'ill health' among older workers result from demands on physical and psychological performance which fail to take into account normal ageing? Few employers report special measures and adjustments to the work environment aimed at easing the workload of older workers. One must ask, how long could early exit from the labour force be postponed by paying specific attention to the different needs of different age groups?



Work – using economic growth for increased leisure

An ever smaller part of the population continues to work beyond the age of 60. The average age at which men retire has meanwhile fallen, and retirement has come to make up an ever larger part of the average man's life. For women, the corresponding picture is more complicated, since it is only during recent decades that women have more generally started to devote themselves to market employment. This will be discussed in more detail below.

From the standpoint of welfare in general, there is nothing inherently remarkable about more work-free years during old age. Increased leisure is a way of utilizing economic growth. During the 20th century, vacations have been introduced and extended, the working week has been almost halved in some areas of business – and the average age of retirement has been lowered. As a result of technological and economic developments, the national economy today boasts a production capacity per hour worked 12 to 14 times greater than at the beginning of the 20th century. In industry, productivity has shown an even greater increase. The growth in productivity can either be used to produce more goods and services with the same investment of labour, or to produce the same amount of goods and services with a reduced investment of labour. During the 20th century, the first approach was dominant. Only 10–20 per cent of the available increase in productivity went to shortening people's working lives, as shown in more detail below – even though the working period of life has had to 'finance' the increase in average life expectancy.

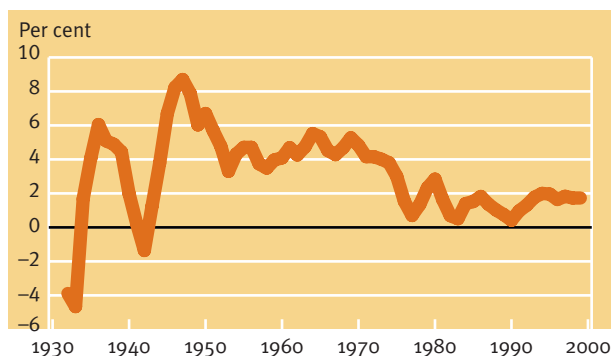
The long-term growth in prosperity, together with increased levels of compensation from public and other benefit schemes, has logically enough helped sink the age at which the average employee wishes to exit working life, where in the past decades exit with a disability pension has been the main exit vehicle. If current Swedish regulations for granting early retirement pensions were to be applied in a time or country with considerably lower compensation levels, many people seriously qualifying for benefit on medical grounds would continue working for financial reasons despite some degree of disability. Both the replacement rate and the level of compensation determine the financial inconvenience involved in living off a disability pension.

It was due to industrialism that the concepts of work time and leisure came to play such a central role in people's lives as they do today. The idea that more efficient production techniques would allow one to make

a living for fewer hours of work is based on the notion of work as a necessary evil. However, work can also give meaning and content to life. Naturally, this applies in varying degrees to different kinds of work, but even jobs that are mainly boring or strenuous, physically or psychologically, may have positive side-effects, such as providing social contacts, etc. Changes to the work environment in the broadest sense can certainly influence an individual's desire to exit working life.

Changes in social insurance conditions

The Swedish social insurance scheme was mainly built up during the 1960s and 1970s. Generous schemes for old age, sickness and disability were facilitated by the strong productivity growth in these decades. (See the following diagram.) This, in turn, was largely due to the rapid liberalization of international trade.



GNP per worked hour, changes expressed as a percentage compared to the preceding year.

Note: Three years' sliding average to cancel out strong short-term fluctuations.

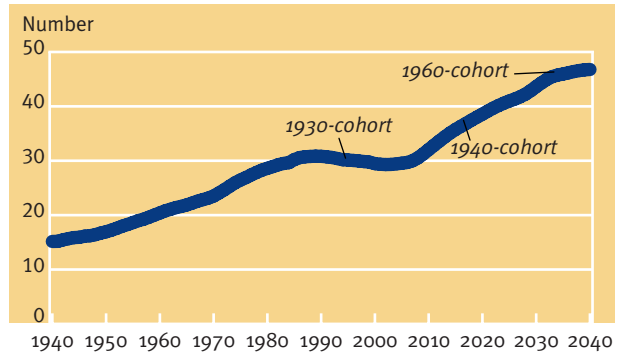
SOURCE: SCB'S NATIONAL AUDITS AND THE MARKET WATCH INSTITUTE

The removal of tariffs through GATT (General Agreement on Tariffs and Trade) led to a strong increase in international specialization, while economic growth was boosted by the rapid restructuring of trade and industry, both in Sweden and other industrial nations. However, since the second half of the 1970s, growth in productivity has dropped considerably in Sweden. During the first half of the 1990s, when employment fell sharply due to the recession, growth in productivity picked up. This was largely due to the 'elimination effect': the least effective production units were shut down. Today, when employment figures have also started to rise, increases in productivity are slowing down. The so-called New Economy has not yet left any tangible trace in terms of increased productivity at the macro level. This is also the case throughout western Europe. What exactly the 'New Economy' is, has not been clearly defined, but one usually mentions the increased use of computers, more effective information processing and globalization as important components. In the USA, where the phrase was coined, productivity growth has, by

contrast, been noticeably strengthened since the middle of the 1990s. It is possible that a similar wave will eventually reach Europe and Sweden too. On the other hand, the American upswing in productivity growth is not so exceptional compared with other strong booms that have occurred, for example, during the first half of the 1980s. It is still difficult to judge what general significance the current technological ‘leap’ will have for the future.

The number of persons aged 65 and over per 100 persons in the age group 20–64.

SOURCE: SCB’S POPULATION STATISTICS



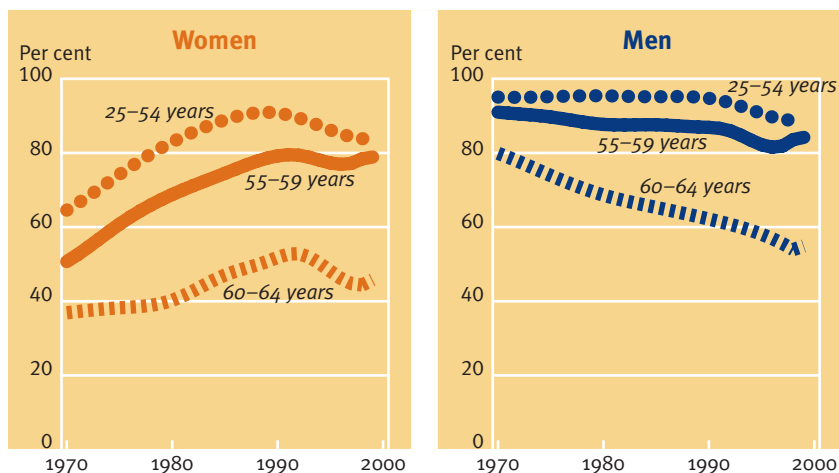
The social insurance system, and for that matter the tax-financed welfare state as a whole, became difficult to maintain during the years of recession in the 1990s. A number of reforms were introduced, some aimed purely at saving tax money, others at increasing the efficiency of social insurance vis-à-vis effects on work and saving. The impact of the recession on public finances was ameliorated by the population structure during these years. As shown in the diagram above, the number of old age pensioners relative to the number of people of normal working age has decreased since the end of the 1980s. We have to go back to the 1930s to find a similar decline in Sweden. At that time, it was an effect of the emigration to America. The main cause today is the low nativity in the 1920s and 1930s.

For a few years, the relative proportion of pensioners to workers will remain at something like its present level. Around 2010, however, it will be the turn of the large generations of the 1940s to start crossing the 65-year-old line. In 2020, it is estimated that there will be almost 40 persons aged 65 and over for every 100 persons of working age compared with 30 today – a swifter rate of increase than ever. Then, the situation will be aggravated by the fact that cohorts reaching working age are small – a consequence of low nativity in the 1990s, and which is still the case today. The working-age population will begin to diminish around 2010, and the decrease will become more pronounced in the 2020s.

Difficulties associated with financing the social insurance system will actually begin earlier than the diagram suggests. When the large generation of the 1940s approaches the age of 60 in two or three years' time, the number of people claiming disability will increase sharply, if current trends continue. This will also reduce the financing base of the insurance scheme, since the supply of labour will diminish.

Labour force participation down for all age groups in the 1990s

Labour force participation (the number of persons employed or seeking work as a proportion of the population at a given age) by older age groups of 55 and over dropped noticeably during the 1990s. This applies to both men and women. Just over half of all persons 60–64 are in the labour force. In 1990, the proportion was 57 per cent. One interpretation of the fall is that during the 1990s older workers began to be marginalized in the market, ousted by tougher work environments and increasingly negative attitudes.



SOURCE: SCB'S LABOUR FORCE SURVEYS

Labour force participation as a percentage of the population.

Labour force participation fell among all age groups during the recession of the first half of the 1990s. See the diagram above. It is worth noting that labour force participation among the age groups 55–59 – for both sexes – actually decreased less than among the labour market's core group aged 25–54. As the economic situation worsened, unemployment shot up. For many people, unemployment turned out to be long-term, and finding a new job hopeless. In such a situation, people stop thinking of themselves as searching for work, and exit the labour force completely.

Much of the decline affecting 60–64-year-olds was, thus, attributable to a downward turn in the national economy which hit all age groups.

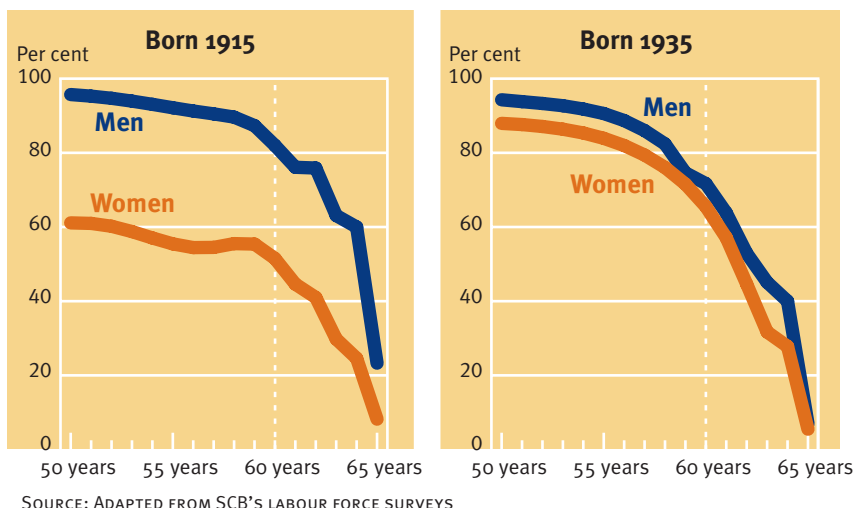
Conversely, economic booms tend to boost labour force participation. People who would otherwise not consider it worth their while to seek a job, or who are only mildly interested, are drawn into working life. At the end of the 1980s, labour force participation had risen dramatically due to the 'surplus demand' for labour at that time. This also affected young people, who during these years had jobs alongside their studies to a much greater extent than is the case today.

The powerful upturn in the economy at the end of the 1990s has led to an increase in the demand for labour and a drop in unemployment. If growth remains strong, it is probable that this process will continue for some time to come.

A strong drop in labour force participation by women

The decline in labour force participation among older men in the 1990s reinforced a long-term tendency. For older women, there was a more radical downturn in labour force participation, after a steady increase up to the beginning of the 1990s. This increase reflected a generation shift. Women had increasingly established themselves on the labour market ever since the beginning of the 1950s. Women who were in their sixties at the beginning of the 1970s had not been gainfully employed to any great extent when they were younger either. See the following diagram. Today, there is very little difference between labour force participation among younger men and younger women. Obviously, the increase in labour force participation among older women would eventually have come to a halt anyway, but it is curious that the decline in the 1990s should be greater than for older men.





Labour force participation in per cent for persons born 1915 and 1935. Almost 95 per cent of men, irrespective of generation, have been gainfully employed in their fifties. From the age of 60, labour force participation has decreased for successively younger generations. Labour force participation among women in their fifties has increased for successively younger generations, but on average they have subsequently quit working life at an increasing rate.

The older labour force is smaller in the rest of Europe

Despite the decline that has taken place, Sweden has a higher degree of labour force participation among older age groups than most other countries. See the table below. Among the European countries reported, only Norway ranks higher. Norway's considerably higher ranking (for men) is probably in part due to the fact that the country was not hit so hard by recession as Sweden during the 1990s. On the other hand, Norwegian men have always had a relatively good record, which may also have to do with the fact that the 'normal' pension age is 67, and that contractual benefits are also geared to this age. Otherwise, one must mainly turn to countries with much poorer social security coverage (e.g. Chile, Mexico and South Korea) to find examples of significantly higher labour force participation among people aged 60 and over. Another exception is Japan, where earlier exit is often coupled with a strong economic sacrifice.

	Women	Men	Women and men
Germany	12	29	20
France	15	15	15
Italy	8	31	19
Spain	16	42	28
Denmark	21	41	31
Finland	18	25	22
Norway	48	64	56
Ireland	18	51	35
Austria	8	14	11
Belgium	5	18	11
Netherlands	8	21	15
Poland	20	35	26
Czech Republic	13	30	21
Sweden	47	55	51
– excl. unemployed and sick	40	48	44
USA	40	55	47
Chile	17	69	41
Mexico	28	79	52
South Korea	46	73	59
Japan	40	75	57

Note: Statistics are based on the latest available year. For Sweden, ‘unemployed’ refers to the openly unemployed, and ‘sick’ refers to persons sick for one week or more.

SOURCE: OECD LABOUR FORCE STATISTICS, ILO STATISTICAL YEARBOOK AND SCB’S LABOUR FORCE SURVEYS

Labour force participation as a percentage of the population aged 60–64.

Comparing labour force participation in various countries is admittedly fraught with statistical problems. According to the conventions of international statistics, unemployed people and people on long-term sick leave are counted as part of the labour force. The suspicion that higher labour force participation in Sweden might be explained by the fact that other countries provide early retirement or disability pensions more readily than Sweden does, is unjustified. If we exclude Sweden’s unemployed and sick, we still find that Sweden ranks highest in Europe (after Norway), even before making a similar adjustment for other countries.

It is thus not easy to find international models with which to make a fair comparison when it comes to high labour force participation among older people in the population. The question is whether the underlying trend is moving Sweden closer to the rest of Europe. Most European countries are, however, facing population problems similar to those of Sweden, and it seems more probable that those countries will rather be forced to follow in Sweden’s footsteps. This means that the older part of

the population of other countries constitutes a potential for growth – as do most age groups of women – which Sweden has already largely exploited. On the other hand, being the first to exploit a labour force resource is scarcely a disadvantage, even though on the face of it future growth figures may seem to promise little cause for rejoicing. Older labour is after all a resource which is continuously renewable.

What is the real age of retirement?

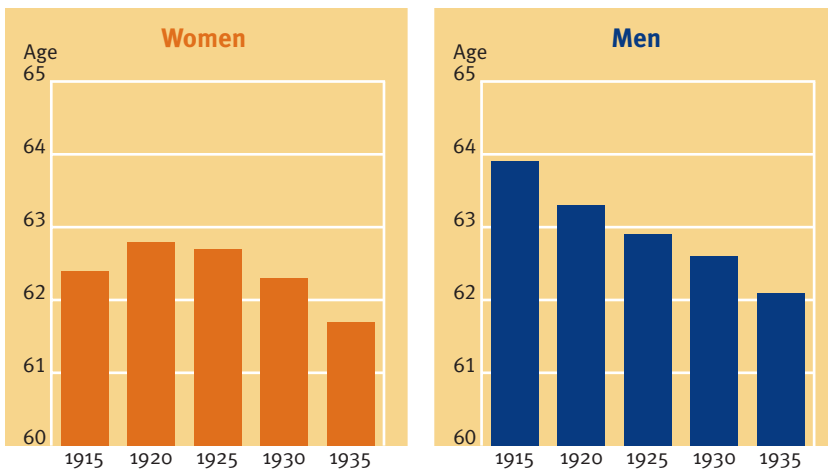
The majority of those gainfully employed quit the labour market before the age of 65, ‘the age of old age pension’. What is the real age of retirement in on average? This seemingly simple question can be answered in various ways.

One answer may be obtained by calculating the average age of newly-retired early retirement and old age pensioners, which gives us the result: approximately 58. This could be interpreted to mean that the average individual works up to this age, after which he/she is granted early retirement on medical grounds. However, the calculation is biased by the early retirement of younger people – persons who have a disability or for other more special reasons find themselves outside working life. The age of 58 is an underestimate if we are out to discover at what age people exit working life after a normal period of participation in the labour force. How many more years will a person manage – or want – to continue in gainful employment after reaching the age of 50? The answer is further complicated by the fact that exiting working life need not only be through disability. Roughly a third of the population aged 60–64 receive a disability pension, but nearly half have left the labour force. Some survive with the help of private savings, others (most) with contractual and service pensions. Finally, others live off the income of their spouses or others.

The statistics regarding labour force participation used in the diagram above offer us an alternative starting point for calculating the average age at which people quit working life. The youngest age group for which one can calculate the average age of retirement with any degree of certainty is the one born in 1935, thus reaching 65 in the year 2000. There is some uncertainty as to possible labour force participation at advanced ages, but this uncertainty does not significantly affect the result of the calculation. For men born in 1935 who were in the labour force when they were 50, the average age of retirement is 62.1 years. See the diagram below. The average age of retirement was thus almost 2 years lower than for men 20 years older, that is, those born in 1915. These left the labour force around the year 1980.

For women in the age groups under consideration, the average age of retirement has been somewhat lower than for men. The gap has however narrowed. For women born in 1935 who were in the labour force at the age of 50, the average age was 61.7 years, just under six months lower than for men born the same year. Thus, in this respect too, the differences between the labour market behaviour of men and women have become small.

The official age of retirement was lowered in 1976 from 67 to 65. The oldest age groups in the diagram below, born in 1915, were not formally affected by this. However, they may of course have been influenced by the behavioural patterns of older generations. It should further be noted that the existence of partial pensions does not formally affect the calculated result, since persons with part-time work are also included in the labour force figures upon which the diagram is based.



SOURCE: ADAPTED FROM SCB'S LABOUR FORCE SURVEYS

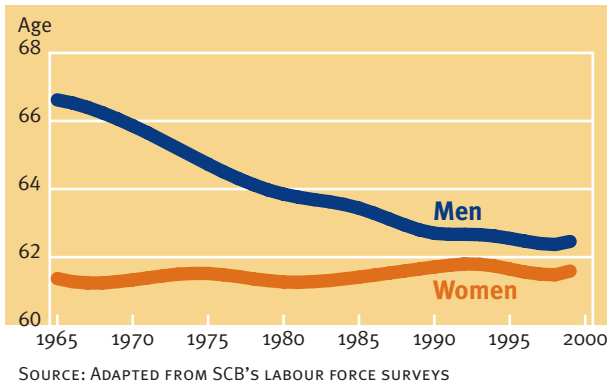
Real average age of retirement from the labour force of persons who were in the labour force at the age of 50. Men born in 1935 left the labour force at the age of 62.1 years of age on average. Men born 20 years earlier, i.e. in 1915, left the labour force nearly 2 years older. Women have left the labour force at somewhat lower ages than their male counterparts of the same generation, but the difference has grown less. Women born in 1935 left the labour force at the age of 61.7 years of age on average, just less than half a year earlier than men. The estimates do not include persons who left the labour force due to death. If these are included, the ages become roughly 0.5 years lower for men and roughly 0.3 years lower for women.

The estimates in the diagram refer to those age groups that have already finished the part of their lives devoted to gainful employment. The information available about labour force participation among persons aged,

for example, 60 or 55 at the time of the calculation, is not used. In the diagram below, the result of a somewhat different calculation is shown. For each year, the age is calculated at which people would leave the labour force if the pattern of labour force participation at various ages in that year were to remain unchanged. It is assumed, as in the preceding diagram, that the persons were participating in the labour force at the age of 50. The result may be described as the expected average age of retirement in a hypothetical state of continuation calculated on the basis of conditions obtaining in the given year. There is thus an important fundamental difference between the estimates. In the diagram below, available information about various age groups for the year under consideration is used; in the preceding diagram, available information about the given age group during the various years they have lived is used. The method in the diagram below agrees in principle with the one used in population statistics to calculate the average remaining length of life from a certain age (or from birth). There, calculations of the probability of survival at various ages, which are based on data for the given year of calculation, are used.

In practice, both methods of calculation give a similar, although not identical, result. The expected age of retirement for men in 1999 was (according to the diagram on page 73) 62.5 years, while the average retirement age for men born in 1935, the most recent more or less calculable age group, was 62.1 years (according to the diagram on page 71). In 1980, the expected retirement age for men was 63.9 years, and the average retirement age for men born in 1915, who reached the age of 65 in 1980, was likewise 63.9 years. For the older age groups of women, the results show somewhat less agreement with each other, due to greater discrepancies between the generations participating in the labour force. On the other hand, it may be noted that the expected retirement age for women in 1999 was 61.6 years, and that the average retirement age for women born in 1935 was 61.7 years, a close correspondence.





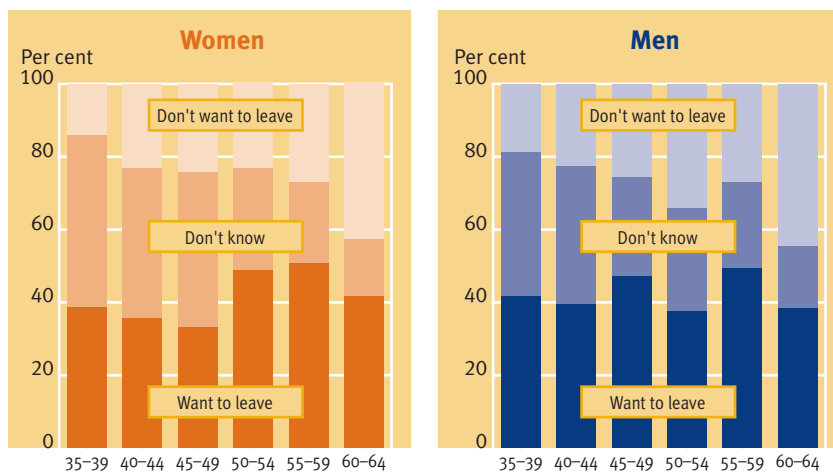
The expected average age of retirement from the labour force of persons who were in the labour force at the age of 50.

The expected average age of retirement from the labour force of women, who were in the labour force at the age of 50, is at present not quite 62 years. Seen in a longer historical perspective, it has not changed significantly. For men, the age of departure has decreased, from just over 66 years during the latter part of the 1960s to roughly 62.5 years today. In 1976, the official age of retirement was lowered from 67 to 65 years. The calculations do not include persons who left the labour force due to death. If these are included, the ages become approximately 0.5 years lower for men and approximately 0.3 years lower for women. For those years furthest back in time, the ages become up to 1 year lower for men and 0.6 year lower for women.

Few plan to work up to the age of 65

Using scb's labour force surveys, one can estimate that just over half of men and a slightly larger proportion of women exit working life before the age of 65. In the questionnaire survey conducted by the National Social Insurance Board in 2000, just over 40 per cent of the gainfully employed state that they plan to quit working life before the age of 65 – roughly the same proportion of men as of women. If we add, for example, half of the uncertain answers, the figure becomes roughly 60 per cent. A preliminary interpretation might thus be that registered labour force participation among older age groups coincides with people's actual wishes and plans, and that no significant 'rejection' of older persons against their will occurs. Admittedly, the desire to quit before the age of 65 could be the result of just such a process of rejection. It is significant, however, that the proportion hoping to quit before 65 is already 40 per cent in the age group 35–40. See the diagram below. There is only a slight tendency for the proportion to increase from the age of 35 to 55, most noticeably among women. The reason the proportion then drops among persons approaching 65 is, in all likelihood, that those wishing to quit prematurely have by now actually done so for the main part. In that

case, they do not appear in the report. Possibly, a ‘selection effect’ may be in operation already at the age of 55. The tendency for the proportion wishing to exit before 65 to increase with age might, thus, be somewhat underestimated.



SOURCE: RFV, QUESTIONNAIRE TO INDIVIDUALS, YEAR 2000

The proportions of different answers to the question whether people plan to quit working life before the age of 65.

There are strikingly few people among younger age groups, only 15–20 per cent, who plan to continue working up to the age of 65. The proportion of those who are unsure is, however, large among younger workers. The proportion of those planning to continue up to the age of 65 increases with advancing years, while the proportion of those who are unsure drops. In any case, the fact that so few see themselves as working up to the age of 65, and that so many younger people envisage exiting earlier, might be an expression of a preference for more leisure. Another interpretation might be that younger people are keenly aware of future problems relating to health, work environment and adaptability which frequently cause older working people to leave the workforce.

Both interpretations are supported by other findings in the survey. The respondents were also asked about important reasons for exiting before the age of 65. One reason given by an overwhelming majority of respondents, around 90 per cent, was to gain more time for leisure and family. See the table below. Nearly as important was health. Remarkably enough, young people seem to be more pessimistic about their future health prospects than older people. After the age of 50, health reasons are less important. This applies, however, primarily to men, among whom

the desire for more time for leisure and family predominates at this age as a reason for wishing to exit before the age of 65.

Remarkably few, less than 10 per cent, stated that the wish of the employer was a reason for exiting. However, the proportion increases with the age of the respondent, especially among women. Anticipated or experienced problems relating to physical and psychosocial working conditions were given by a far greater number of respondents. For women in particular, psychosocial reasons are a very important factor according to the survey. It is possible that a number of respondents have also chosen to give psychosocial working conditions as a motive, when in reality it is the employer who wants them to quit. That competence is not appreciated or is inadequate, is a reason which was likewise given by many more women than men.

	Women		Men	
	35–49 yrs	50–59 yrs	35–49 yrs	50–59 yrs
More time for leisure/family	92	92	90	87
Health reasons	88	86	84	77
Physical working conditions	63	57	53	42
Psychosocial working conditions	75	71	56	49
Competence is not appreciated or is inadequate	49	42	35	30
Employer wants the employee to quit	6	11	8	9

Note: The question was: What do you consider to be important if you plan to quit working life before the age of 65? Possible answers: Important; Less important; Unimportant; Cannot answer/have no opinion. There were more reasons than those given here for respondents to assess.

SOURCE: RFV, QUESTIONNAIRE TO INDIVIDUALS, YEAR 2000

The proportion of respondents considering different reasons to be important for their plan to quit the labour force before the age of 65.

Health reasons are the major cause of early retirement

It is primarily at large workplaces that staff commonly retire from the labour force before the official age of retirement, according to the interview survey of employers conducted by the National Social Insurance Board in 2000. Employers put health reasons first as the cause of staff leaving before the official age of retirement. Private reasons are also given a high ranking, especially in small companies, where, however, early retirement from the labour force is comparatively rare. Private reasons can be assumed to correspond to the reasons used in the questionnaire to private individuals such as “more leisure and time for family”. Reasons for retiring are thus broadly similar in both surveys.

	Number of employed			Total
	20-49	50-499	500+	
Health reasons	51	58	46	53
Private reasons	35	20	20	28
Redundancy	10	18	31	15
Working conditions	3	5	3	4
Total	100	100	100	100

Main reason given why staff quit professional life before the official pensionable age.
Proportions in per cent.

SOURCE: RFV, INTERVIEW WITH EMPLOYERS, YEAR 2000

The public and the private sector

In the course of the 1990s, a series of crises in the public sector received a lot of attention. The severe financial crisis led to comprehensive cut-backs in the care and education sectors among others, and staff was reduced. This resulted partly in unemployment, partly in harder demands for efficiency on the part of remaining staff. Many jobs within the 'soft sector' are technically difficult to rationalize, and a feeling of inadequacy and burn-out among employees has been observed. Many people have quit, or would like to quit.

Recently, a further dimension has been added to the crisis in the public sector, namely, the first signs of a shortage of labour. There is also a growing realization that this problem will become still more acute in coming years. The public sector has an extreme concentration of employees belonging to the large generations of 1940s. The majority of these are just entering 'the age of early retirement with disability' and in ten years' time will reach the age of 65.

This in itself means that the sector is destined to lose employees, due to the traditional tendency to quit at these ages. These people will be hard to replace. If, on top of this, developments in the 1990s have created an increased tendency to exit before age 65, the situation will automatically be even further aggravated.

This last fear is confirmed by the results of the National Social Insurance Board questionnaire in 2000 to private individuals. The question illustrated in the diagram on page 74, as to whether people plan to quit working life, is presented in the table below in terms



of the distribution of employees within the public and private sectors. The proportion answering yes to the question is significantly higher in the public sector than in the private sector. Moreover, the difference is greatest for women over 50, who make up a very large proportion of the public sector labour force. Conversely, the proportion of those not planning to quit before 65 is lower among employees in the public sector.

	Women		Men	
	35–49 yrs	50–59 yrs	35–49 yrs	50–59 yrs
<i>Percentage of yes-answers (wish to quit)</i>				
Public sector	38	53	38	49
Private sector	38	43	44	41
Total no. of employees	38	49	42	44
<i>Percentage of no-answers (do not wish to quit)</i>				
Public sector	20	23	20	26
Private sector	21	28	23	34
Total no. of employees	20	25	22	31

SOURCE: RFV, QUESTIONNAIRE TO INDIVIDUALS, YEAR 2000

The proportions of different answers to the question whether people plan to quit working life before the age of 65

The new pension scheme has thus far made little difference to how people view exit from the workforce

In the new pension scheme, a stronger connection is made between the level of pension and the age at which it is taken out. The longer a person postpones retirement after the age of 61, the higher the pension. At 70 years of age, the pension may be 60–65 per cent higher than at 61 if a person is totally covered by the rules of the reformed scheme. This is the case for those born in 1954 or later. The great majority of respondents in the individual survey, well over 90 per cent, were aware of this closer connection between age and pension. See the table below. Just less than every fifth individual believed, however, that this would influence the timing of their own retirement with pension. No marked difference was found between the various age groups despite the fact that it is primarily the young who stand to gain by putting off retirement. Among the young, however, the proportion of “unsure” is naturally much higher.

	Women		Men	
	35–49 yrs	50–59 yrs	35–49 yrs	50–59 yrs
<i>A new feature of the reformed pension scheme is the strong connection between the number of years you work and the size of your pension. In other words, the more years you work, the higher the pension you can expect to get. Did you know that?</i>				
Yes	93	95	92	94
No	7	5	8	6
Total	100	100	100	100
<i>Do you think the reform influences your thoughts on when to retire on your pension?</i>				
Yes, want to work more years	18	19	15	15
No, has no influence	36	47	47	59
Do not know	46	34	38	26
Total	100	100	100	100
SOURCE: RFV, QUESTIONNAIRE TO INDIVIDUALS, YEAR 2000				

The proportions of answers to two questions about the reformed pension scheme.

The fact that so few claim to be influenced by the pension reform is perhaps not so surprising upon reflection. The pensionable age of 65 is firmly rooted in people's minds. In the (old) ATP scheme, it was also possible to take out a pension earlier or later, though with less impact on the pension than in the reformed pension scheme. However, very few people have taken advantage of the opportunity to put off claiming their pension, and the large number of people who have quit working life before 65 have done so in other ways than via so-called premature withdrawal of old age pension. The pension reform, with its attendant reduction in the size of pension if one chooses to retire early, means on the one hand that certain people will work somewhat longer than they would otherwise have done under the old pension scheme. On the other hand, those who still wish to retire before the age of 65 will be even more disposed to try to utilize benefit schemes other than the old age pension scheme.

Exit paths from the labour force

In the general pension scheme, there are two ways of leaving the labour force before the age of 65: by claiming an old age pension from age of 61, and through claiming disability. In both cases, a person can claim a partial pension. Early retirement with an actuarially reduced old age pension is, as mentioned, claimed by only a few people. This is because it is so financially disadvantageous, compared to a disability benefit.

	Old age pension	Contractual pension	Early retirement pension	Sickness benefit	Unemploy. benefit	Other	Total
<i>Women, totally</i>	27	14	7	27	6	19	100
of which, having:							
– basic school	23	9	6	33	10	19	100
– vocational training	28	17	7	25	5	18	100
– upper secondary education	32	21	6	19	3	19	100
– post upper sec. education	38	18	10	10	2	22	100
– privately employed blue-collar wkrs	24	4	6	35	14	17	100
– privately employed white-collar wkrs	31	13	5	19	9	23	100
– gov't employed	26	16	11	22	5	20	100
– municipally employed	25	21	6	28	2	18	100
<i>Men, totally</i>	34	14	7	20	8	17	100
of which, having:							
– basic school	30	8	7	27	10	18	100
– vocational training	32	14	8	21	8	17	100
– upper secondary education	37	22	5	10	7	19	100
– post upper sec. education	48	23	5	7	1	16	100
– privately employed blue-collar wkrs	26	5	7	31	13	18	100
– privately employed white-collar wkrs	36	19	4	13	8	20	100
– gov't employed	28	32	9	14	5	12	100
– municipally employed	41	17	6	17	2	17	100

Note: Statistics refer to individuals born 1927–1932 who were gainfully employed in 1983 or who were not retired at the age of 50. If no source of income exceeds more than half the total income, the individual is classified as "Other".

SOURCE: MÅRTEN PALME AND INGEMAR SVENSSON, MICRO-MODELLING OF RETIREMENT IN SWEDEN, NATIONAL BUREAU OF ECONOMIC RESEARCH WORKING PAPER, CAMBRIDGE, MASS. 2000

Primary source of income after retirement. Percentages.

Nearly all Swedish employees can also receive compensation from contractual insurance schemes. These schemes partly offer alternative ways of leaving the labour force before 65, partly increase the total compensation if the employee retires early.

The table above shows that 34 per cent of men and 27 per cent of women in the age group born 1927–1932 have had old age pension as the main source of income after leaving working life. This need not mean that they have worked full-time up to their retirement, but no source of income other than gainful employment has accounted for more than half their income.

A sickness allowance is an important primary source of income for those exiting working life, especially for women. Most cases of sickness allowance are eventually superseded by disability pensions, as a rule after 1 to 2 years. By contrast, relatively few have had a disability pension as a primary source of income when they stopped working. Roughly the same number have had compensation from an unemployment benefit as their primary source of income, of which many have subsequently gone over to sickness allowance or early retirement pension. It is important to point out that the calculations are based largely on conditions in the 1980s, when unemployment was generally very low. In this respect, the data is not representative of the changed labour market of the 1990s.

There are also very marked differences between people of different educational backgrounds. People with only basic school and vocational training are 2.5 to 3 times more likely than academics to end their working life on the sick-list. Compensation from unemployment benefit funds as a primary source of income is virtually unknown among academics. Instead, the well-educated have greater access to contractual insurance schemes and severance pay when they retire from the labour force. Finally, old age pensions are more common among the well-educated than the poorly-educated. The well-educated more often reach the 65-year-old mark before leaving working life.

The differences between various educational categories are reflected in the differences between various sectors. Privately employed blue-collar workers, both women and men, end their careers on the sick-list to a far greater extent than other categories, with the exception of women employed by municipalities and county councils. In the public sector – and especially for male government employees – contractual pensions and severance pay are a relatively common solution for people exiting work before 65.

Reduced working hours – a way of utilizing the growth in welfare

The employment period has been shortened at both ends. The age of entry has risen with the increase in the average number of years of education. At the other end, the average age at which people leave the labour force has fallen.

On top of this, the average working year of a gainfully employed person has become shorter. The normal working week has been shortened, vacations have been prolonged, parental insurance has been introduced and extended, etc. At the beginning of the 1960s, the average working year was approximately 1,800 hours per gainfully employed. Today, it is in the range of 1,550 hours. This decline depends to a very marginal extent on the fact that women (more frequently working part-time on average) have increased as a share of the total of gainfully employed. Even if we focus solely on men, the average working year has dropped from over 1,900 hours at the beginning of the 1960s to less than 1,700 hours today. The entry of women into working life is the only, though crucial, factor behind the increase in the number of hours of gainful employment in society that has gradually taken place. See the table below.

The total supply of time gainfully employed, in billions of hours.

SOURCE: ADAPTED FROM SCB'S NATIONAL AUDITS AND LABOUR FORCE SURVEYS

	1960	1980	1990	1999
Women	20	25	29	30
Men	44	37	38	37
Total	64	62	67	67

Increased leisure as a result of reduced working hours is a way of utilizing the general growth in economic welfare. Periods of particularly rapid reductions in working hours have as a rule followed a strong increase in real wages. A historical example which illustrates the connection is the introduction of the 8-hour industrial working day in 1920. This resulted in a reduction in working hours of roughly 20 per cent. Average real wages had previously risen by no less than 50 per cent during a few boom years. When the downturn eventually came, working hours once again rose.

Returning to more modern times, we may note that when real wages per hour rose on average by roughly 3 per cent annually during the 20-year period 1960–1980, average working hours sank by roughly one per cent annually. A third of the potential for an increase in real wages per employee was traded for increased leisure. At the beginning of the 1980s, however, the decline in average working hours stopped, and since then they have climbed somewhat instead. Real hourly wages have risen very little since the beginning of the 1980s, if we make allowances for variations in pace due to economic fluctuations. A



gradual increase in working hours became a means for the gainfully employed to improve real incomes. It is scarcely a coincidence that there is renewed discussion today about reduced working hours, after the sharp increase in real wages over the last few years.

One important reason why average working hours increased in the 1990s was the sharp drop in absence due to sickness. This was partly the result of lower levels of compensation in health insurance, and partly the result of recession. Unemployment and the spread of less secure forms of employment made many think twice before staying off work unless it was absolutely necessary. If the present improvement in the national economy continues, we may presumably witness once again a lasting higher level of absence due to sickness than during the 1990s. There have already been signs pointing unmistakably in that direction.

The tendency towards an increase in average working hours in Sweden over the last two decades is virtually unique among west European countries. Most of these have had a more favourable real wages development than Sweden, and average working hours have decreased as a continuation of trends from the beginning of the 1960s. Germany is one of the countries where working hours have been reduced relatively greatly – since 1980 by approximately 0.7 per cent annually, that is, by more than 10 per cent overall.

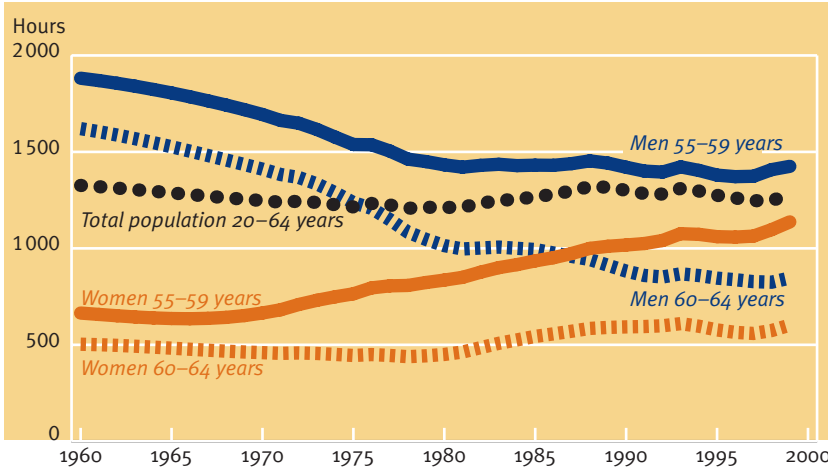
Older people's working hours are also up in the 1990s

Average working hours also increased for the remaining older labour force. This was especially true for women, due partly to the fact that successively younger generations of women had established a longer working week by the time they reached middle-age.

If we also take working hours into account, a somewhat different picture emerges of older people's total work input during the 1990s, than if we solely focus on the decline in labour force participation. The diagram below shows that the supply of labour from older population groups, calculated in hours per individual, has followed the same pattern of development as that of the population as a whole. The tendency for fewer people to work more hours is also found among older people, especially among older women. It is



only men aged 60–64 who have reduced their supply of working hours. For both men and women in the age group 55–59, the supply of labour per person during the 1990s has risen in relation to the population average.



SOURCE: ADAPTED FROM SCB'S LABOUR FORCE SURVEYS (AKU), NATIONAL AUDITS AND POPULATION STATISTICS

Supply of working hours from older population groups in hours per person. The long-term decline in the supply of labour from older men was halted in the 1980s. For older women, the supply of labour per person of the population has increased, mainly due to successively younger generations having established a higher labour force participation while still young.

Persons taking part in the National Social Insurance Board's survey in 2000 were asked if they would like to work more or fewer hours per week. They were also asked to consider the financial implications of their answer, that is, shorter working hours would result in a smaller income. Roughly 40 per cent of men wanted shorter working hours, and a small minority wanted more. Among the women, about 7 per cent wanted longer working hours – these were probably women working part-time against their will, the so-called partially unemployed. Among both men and women, approximately half were satisfied with their current working hours. There was no marked difference between age groups, though younger women were a little more interested than older women in shorter working hours, presumably for family reasons.

	Women		Men	
	35-54 yrs	55-64 yrs	35-54 yrs	55-64 yrs
More	7	8	3	1
Fewer	37	32	42	40
Unchanged	52	52	52	54
Don't know	4	8	3	5
Total	100	100	100	100

Note: The question was answered by professionally active persons, who were asked to bear in mind the financial consequences of their answer (fewer hours mean lower income).

SOURCE: RFV, QUESTIONNAIRE TO INDIVIDUALS, YEAR 2000

The proportions of different answers to the question whether they would like to work more or fewer hours per week.



On the basis of these results, it is difficult to form any opinion as to whether an opportunity to work fewer hours would reduce the older people's inclination to exit the labour force at a younger age.

Each new generation produces more

It has been estimated that society's production capacity per worked hour is now 12 to 14 times greater than it was at the beginning of the twentieth century. Industrial productivity has risen very much more. Technological innovations and the enormous increase of fixed capital in the form of machines, etc. in the production of goods, have been decisive factors in this development. But investments in education and professional skills, so-called human capital, have also played a crucial and increasing role. Such investments are harder to measure in terms of money than, for example, investment in machines, but they may well turn out to be the most important condition of economic growth in an economy based increasingly on the production of services. Learning is as a rule one of the most productive activities a person can engage in, and this does not apply only to youth.

Hitherto, the growth of productivity in the economy has compensated many times over for the reduction in the length of working life that has taken place due to longer schooling for young people and the reduced amount of work performed by older people. See the table below. For women, the length of working life has increased generation by generation. We are here referring to paid employment on the labour market. Work in the home has been successively replaced by statistically verifiable work in the labour market.

	Lifetime work, hours	Lifetime production, volume	Productivity
Women	0.8	3.5	2.6
Men	-0.6	2.0	2.6
Both sexes	-0.1	2.5	2.6

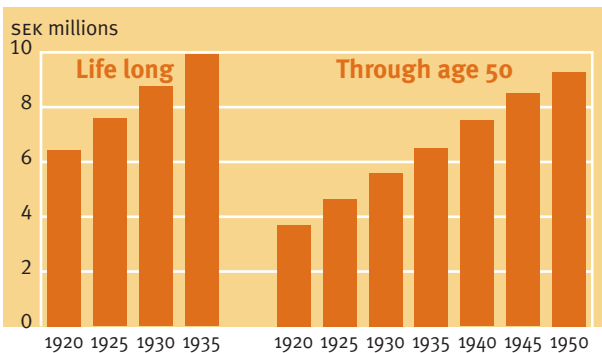
Note: Growth in productivity, increase in production volume per worked hour, is assumed in the calculation to have been equally large for both sexes.

SOURCE: ADAPTED FROM SCB'S NATIONAL AUDITS AND LABOUR FORCE SURVEYS; CENSUS AND HOUSING SURVEY AND POPULATION STATISTICS; THE MARKET WATCH INSTITUTE; THE NATIONAL ENCYCLOPEDIA

Lifetime working hours and lifetime production (contribution to GNP) per person. Change expressed as a percentage for each successive year-group born 1930–1935.

The diagram below gives us a rule of thumb: each new generation has achieved nearly as great a production value by the age of 50 as the 15-year-older generation achieved during a whole working lifetime.

However, we must also bear in mind that the total work of society must finance the increasing average lifespan of the population. The average lifespan for men is now approximately 77 years and for women approximately 82 years, giving an average of almost 80 years. Average life expectancy has increased for both sexes by nearly 5 years since 1970. Questions relating to the future population situation have already been taken up in the introductory chapter and will reappear in the closing chapter.



SOURCE: ADAPTED FROM SCB'S NATIONAL AUDITS AND LABOUR FORCE SURVEYS; CENSUS AND HOUSING SURVEY AND POPULATION STATISTICS; THE MARKET WATCH INSTITUTE; THE NATIONAL ENCYCLOPEDIA

Contribution to production (GNP) per person, SEK million in 1991 prices.

Each new generation has by the age of 50 achieved almost as large a production volume as the 15-year-older generation did during a whole working life.

The employment strategy – postponing exit from the workforce

Forecasts rarely hit their mark. Where population, the economy and society are concerned, our purpose in making a forecast may also be to affect the outcome, to prevent it from coming true. Such a forecast is intended to encourage individuals, companies, organizations and authorities to take action to steer developments down an alternative path.

We have suggested in this book how the employment strategy might be strengthened in order to soften the impact of an imminent population crisis. This is far from uncontroversial. It might be objected that if people do not feel up to working, or do not wish to work, beyond the age of sixty or thereabouts, the decision is theirs alone. They can even decide whether they wish to work at all. However, this is only true if they are willing to accept personal responsibility for the financial consequences of their decision. If they rely on public funds or social insurance schemes to help them fulfil their dreams, this puts a different light on the problem. It becomes a legitimate cause of public concern.

An imminent shift in population growth

Since the introduction of the ATP pension scheme in 1960, the average amounts paid out in old age and early retirement pension per person has risen dramatically, not only nominally but also in real values. The fact that we have been able to finance this without too much difficulty, using contributions and taxes, is largely thanks to three aspects of population development:

- the working-age population has increased, due partly to the very large generations of the 1940s and their many children born in the 1960s, and partly to periods of large immigration of labour
- the number of people working has grown, as a result of increasing female participation in the labour market
- the population of persons of pensionable age has risen only slowly and over the past 10–15 years not at all, since the generation of the 1930s is so small.

No such alleviating factors are discernible for the coming decades. In just over ten years from now the population aged 20–64 will start to diminish, that is, when the majority of those born in the 1940s reach the age of 65. Given the present propensity to retire from the labour force, the number of those in actual employment will already start to decrease towards the end of the current decade. For almost ten years now, the birth-rate has been far too low to prevent a long-term decline in the

population. Even if the number of births begins to rise dramatically (and there are no signs of that happening at present), it will take 20–25 years to produce any significant replenishment of the labour force. The participation of women in the labour force already just about equals that of men. Possibly immigration might rise – a large influx of foreign labour would certainly make a difference.

What is certain is that the number of older people is increasing dramatically – and this is true even if the expected further increase in average life expectancy fails to occur. There are at present 0.3 persons aged 65 and older for each person in the age group 20–64. The figure is expected to become 0.4 in 20 years' time – 33 per cent higher! It is hard to imagine in concrete terms the full force of the coming change. Today we are at the end of a unique 15-year period when the number of elderly fell – rather than grew – in relation to the population of working age. Pension contributions have become increasingly easy to bear, particularly over the past few years when both employment and productivity made a strong post-recession recovery.

Growth of BNP per capita may come to a stop!

As a result of the low birth-rate and increase in average life expectancy, the proportion of working-age people in the total population is destined to fall during the coming decades. There are, admittedly, still untapped sources of labour to exploit, despite the upward economic trend of the past few years. Unemployment may drop even further, and it is probable that there are people out there with aspirations to enter the labour force. However, assuming we can avoid a deep economic downturn, these resources will have been fully exploited within a matter of years. From then on, the number of hours worked will begin to decline, while population growth will consist of an increasing number of older people.

The Market Watch Institute and the National Social Insurance Board have jointly produced an estimate (reported in "Population Trends and the Future of Welfare" published by TCO, 2000) according to which the number of hours worked per capita will fall by 0.8 per cent annually from the middle of the first decade of the twenty-first century up to the year 2040. The estimate assumes that the decline that has so far taken place in the average age of retirement will come to an end. Also, the average working year is assumed to decrease by



0.4 per cent annually during this period. This assumption implies a break in a 20-year trend in Sweden that led to a slight rise in average working hours into the 1990s. On the other hand, it corresponds to trends in the rest of Europe over the same historical period. The assumed decrease is considerably less than that which took place in Sweden earlier, during the period 1960–1980. If the decrease should take the form of a shorter working week, this would mean a normal working week in 2020 approximately 3 hours shorter than today. The reduction in working hours is thus very modest compared to shorter-term proposals put forward in recent times.

In terms of welfare, a decline of 0.8 per cent annually in the number of hours worked per capita means that a large part – between one third and a half – of possible future productivity gains would go merely to keeping BNP per capita at an unchanged level. The likelihood of an increase in general material prosperity is, thus, limited, and if the labour force participation of older age groups continues to fall, this will be even more likely to be true.

Can the real age of retirement be raised?

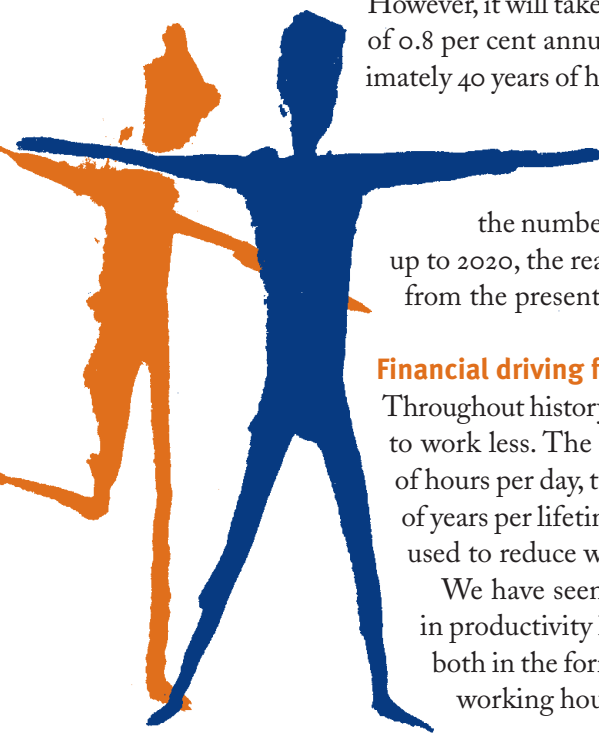
Raising the average age at which people retire from the labour force would reduce the decline in the percentage of the population working.

However, it will take a lot to counteract a total long-term decline of 0.8 per cent annually. The average Swede works for approximately 40 years of his/her life. Raising the average age of retirement by one year would increase the supply of labour by 2.5 per cent, which would compensate for a three-year decrease in the number of working hours per capita. In the period up to 2020, the real age of retirement would have to be raised from the present level of around 62 years up to around 69!

Financial driving forces

Throughout history, increased prosperity has fostered the desire to work less. The subject of discussion has been the number of hours per day, the number of days per year and the number of years per lifetime. Technological advances have often been used to reduce workload.

We have seen how a part of society's long-term growth in productivity has been used to facilitate increased leisure, both in the form of a shorter working lifetimes and shorter working hours. There are indications that total working



lifetimes in other European countries have been shortened even more than in Sweden over the past few decades.

Leisure may be regarded as any other consumer good, and it would be surprising if the demand for leisure did not increase with increasing income, as with most other products. If opportunities also exist, as they have existed in various forms in Sweden, to quit the labour force partly at the expense of the community and with very little loss of personal income, the attraction of leisure is still further enhanced. The cost to the economy is higher than it is to the individual's own economy. In other words, it is quite conceivable that everyone retires from the labour force earlier than they would have done had they been obliged to finance their pension personally, paying the full cost after taxes and contributions. Everyone cheats everyone else!

Roughly half of those who answered the question in the National Social Insurance Board's questionnaire to private individuals in 2000 claimed that they planned financially for their coming years as a pensioner. The distribution of answers was, moreover, very similar for younger and older people. Of those who answered in the affirmative, over 30 per cent stated as their reason being able to retire early, and around 15 per cent cited being able to work part-time during the years leading up to retirement. This indicates a rather keen interest in retiring early from working life, even at the cost of using private funds wholly or in part.

An important development now taking place which will affect the financial conditions of retirement is the introduction of the new pension scheme. For persons born 1938–1953, this will replace the current national basic pension and supplementary pension scheme (ATP) progressively, so that persons born 1946–1953 will be more than 50% in the new system. In the new pension scheme, each additional year of work increases the size of the future pension, which may be compared to the present scheme with its rather weak connection between lifetime income and pension. In the National Social Insurance Board's questionnaire to private individuals, only a minority consider the change will affect the timing of their own retirement, however. (See the chapter on Work.) It is possible that the full import of the pension reform has not yet been grasped by respondents. Presently, young people are neither motivated nor sufficiently informed to make decisions about future retirement. This is likely to change, however, as time passes.

Health and physical working conditions

If the labour market never changed and offered a fixed set of work tasks, professional roles and skill requirements, it would be difficult to claim

that the health and work capacity of the population had declined relative to the demands of working life. From the chapter on Health, it is clear that at least physical health has improved over the years. One sign of this is the increase in average life expectancy, and even the risk of fatalities ‘in the midst of life’ have diminished.

However, working life has changed in many ways, possibly at a faster rate than ever before, and possibly in ways that have led to a discrimination against older workers. For example, the natural slowness of otherwise quite healthy older persons can be more of a handicap today than it used to be, as frustrating to the older persons themselves as to their employers and younger work colleagues. Impaired vision and hearing are other signs of ageing which do not indicate illness and which by no means signify a total loss of work capacity. Perhaps expectations about what constitutes good health have increased, in the same way that higher standards are demanded in many other fields. A state of health classed as poor today might have been considered perfectly satisfactory 50 years ago.

Formerly, older labour could find alternative less skilled tasks to perform and often with a lower salary. Nowadays, such tasks are carried out by specially trained labour, often organized by specialized firms of contractors with their own high demands on efficiency. Some responsible employers of today have chosen to help employees find alternative means of support, possibly a disability pension financed from public funds or, in some cases, severance pay at the expense of the company. For the employer, this solution has meant a lower level of income much as in former times, but – for better or for worse – without any work being performed. To put it bluntly: Fewer and fewer people work at ever higher levels of productivity, and directly or indirectly they support all the rest.

Attitudes

For better or for worse, the recession of the 1990s increased the demand for efficiency in working life. It also brought in its wake a surplus of labour in most staff categories and age groups. Employers were able to streamline their workforce without having to hire slightly older persons or mothers of small children, i.e. persons who need special work arrangements. At least in the short term, this was a rational strategy for achieving increased profitability in a difficult market situation.



However, developments possibly went so far as to create a culture where older people were expected to retire, which in itself is not necessarily rational. In a future perspective with labour shortages, such ingrained attitudes can become an unnecessary obstacle to increased economic prosperity.

In the 1990s, a smaller number of persons over 55 participated in the labour force. This reflects the extremely low birth-rate around 1930. Perhaps it has been all too easy to regard these small numbers of people as minor disturbances to the system, and not particularly expensive to get rid of. If so, this attitude has naturally lowered the motivation of older people to continue working. Neither, presumably, has it been profitable from a business point of view to take special pains to lighten the workload of such a small group.

Early retirement has become something of an institution in many workplaces. There is a more or less tacit understanding by both parties that employees will leave the company before the age of 60. Employees come to set their sights on this, and would almost regard it as a betrayal if early retirement was not forthcoming. Receiving a good early retirement pension is considered to be a reasonable right, especially since top managers and other members of the power elite are seen to grant themselves pensions at the age of 60 on very generous terms and without the lifelong reduction of future old age pension that premature withdrawal would entail.

The National Social Insurance Board's survey of employers conducted during 2000 suggests that employers in general do not make any extra efforts for employees over 55. This is something that might change when the large generation of the 1940s reaches the age of 60 in the near future, and especially so if labour shortages start to threaten.

Flexibility

The decreasing participation of older people in the labour force is sometimes ascribed to laziness and a desire for leisure, or to ill health and exclusion. All these explanations can be right in particular cases. Working life is all too often a case of all or nothing. If there were greater flexibility in working life and in the different institutional systems, many more people could, and would want to, continue working longer, with higher incomes and enhanced self-esteem as a result.

Much has been done over the years to improve the physical work environment for older workers, especially in industry. Dark, smoky, demanding and accident-prone workplaces are largely a thing of the past. Within the public sector where women dominate, we still find

physically and psychologically demanding work environments. This is partly due to the difficulty of rationalizing work consisting of human contacts with the aid of machines, but there may be other explanations.

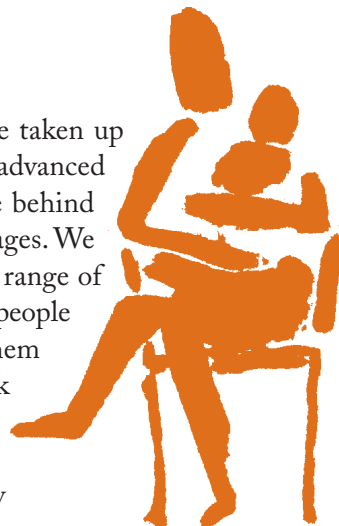
In several respects, working life lacks flexibility in adjusting to the condition and needs of the older workforce. We mentioned earlier that suitable jobs for older people to transfer to have vanished from today's workplace. A contributory factor is the increased demand for profitability and effectivity, but at the same time people are probably less willing to accept a drop in salary for doing such work. We have also drawn attention to the fact that the majority of employers fail to implement any serious measures to facilitate the work of older staff. These might include occupational health services focused on the problems of older staff, and greater flexibility in the length and disposition of working hours. As we have suggested, market forces may eventually bring about such improvements, when an ever larger part of the labour force approaches 60 and it becomes difficult to recruit new staff. Naturally, costs impose a limit on such changes: there are no bottomless pockets, not even in the national economy.

Flexibility is also lacking in some institutional respects. For example, it is a known fact that part-time sick leave and part-time early retirement are used rather sparingly. The reason for this is unclear. One possibility is that the notion of being ill on a part-time basis meets psychological resistance from both patient and doctor. Another problem area is contractual pensions. These are usually drawn up in such a way that working part-time or changing jobs during the final years of working life may have a serious detrimental effect on future benefits. Regulations are often very complicated and vary widely for different sections of the labour market.

Conclusions

This chapter and the preceding one have taken up the various obstacles to working at more advanced ages, and examined the factors which lie behind falling labour force participation at these ages. We have seen a complex interplay between a range of different factors affecting the age at which people retire from working life. A number of them have been discussed in detail – health, work environment and financial motivation.

Employment strategy is a key concept in the economic and labour market policy



of Sweden. It means that those people who can and want to work should be given the opportunity to do so, and thus contribute to their own and others' support. In practice, however, the employment strategy has been narrowly focused on keeping unemployment down among the under-55s. In this respect, the employment strategy is a myth. Older age groups have more often than not been encouraged to retire from working life. Locally, this has been effected by using the social insurance scheme – sickness, unemployment and disability – as a gateway.

Here we have the dilemma of the welfare state. Naturally, there should be a generous system of support for people no longer capable of earning their own living due to failing health or diminishing powers. At the same time, there is a strong temptation, more or less in defiance of the spirit of the law, to use the same system for solving difficult labour market problems, for which there are certainly more efficient solutions seen from the standpoint of the tax-paying community as a whole – and from that of the individual, as well. Obvious cases of abuse can be checked by strict control from the insurance offices and authorities. The inevitable grey area which still remains can be reduced by changed attitudes among the parties of the labour market, supported by a national economic policy which ensures a strong general demand for labour.

Any desire to continue working on the part of the older labour force, possibly in some form of part-time job, is inhibited by the design of contractual pension schemes, covering up to 90% of the workforce. This is particularly true of the complex arrangements applying to some public sector areas. In many cases, older employees are financially penalized for working part-time or taking on new work tasks instead of stopping work completely. Moreover, most employees are contractually bound to retire at the age of 65. There are, however, within the framework of the political deal on the reformed pension scheme, plans to abolish this possibility of bypassing the law of security of employment.

As a whole, the health of the population is not a factor preventing people from working at more advanced ages, rather the contrary. Average life expectancy is increasing, and the added years are mainly years of relatively good health. In Statistic Sweden's (scb's) regular surveys of the living conditions of the population, the proportion of people experiencing moderately poor or bad health has declined over the past 20 years.

However, there is one important exception. Among younger and middle-aged women, the proportion experiencing poor health has increased. This leads us to the frequently discussed topic of work environment in the public sector dominated by women. The work environment in male-dominated sectors, not least that of industry, has been greatly

improved by the use of technology and other aids. Due to the particular nature of the work, it has proved less easy to use technology to improve the work environment of the health, care and educational sectors – while reductions in a number of staff categories have produced new work environment problems of their own. Organizational shortcomings, partly stemming from the political leadership, may also have played a role, but this is difficult to substantiate objectively. The claim that considerably less interest is shown in improving the work environment of typical female professions compared to those of men is a particularly serious accusation, however, as we have seen in earlier chapters, not altogether without foundation.

The areas of the labour market dominated by women are threatened in another respect. A large-scale exodus from the labour force is expected in the coming 5–10 years, due to the shifting age structure of the population. Extensive modification of relative salary levels may be necessary if activities are to be maintained, and it makes very little difference whether or not a larger share of production comes under private management. It will be costly at all events, whether the bill is paid through income tax or private medical fees, etc.

Any positive incentive effects on labour force participation deriving from the new pension scheme, or from other reforms in social insurance, etc., that might appear on the political agenda, will ultimately depend on prevailing traditions and public attitudes. In some quarters, employing an older labour force is quite simply regarded as a thing of the past. It would be unfortunate if this view were founded on the assumption that healthy people have the right to decide whether they wish to work or not. However, when the population of normal working age starts to diminish in a few years' time, it is conceivable that market forces will prompt a reappraisal of the older labour force. In the USA, where population trends actually present less cause for anxiety than in Europe, one sometimes hears talk of 'grey power'. A little of the power of the grey side-burns – not only in the boardrooms – may yet prove a corrective to the worship of youth that has dominated the labour market for so long in Sweden.

Social insurance in figures

Social insurance in figures

Social insurance in figures

Social insurance in figures

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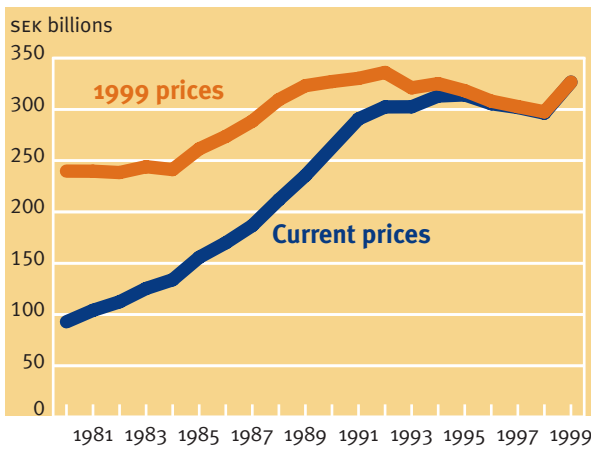
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Social insurance in figures

The financial scope of the social insurance system

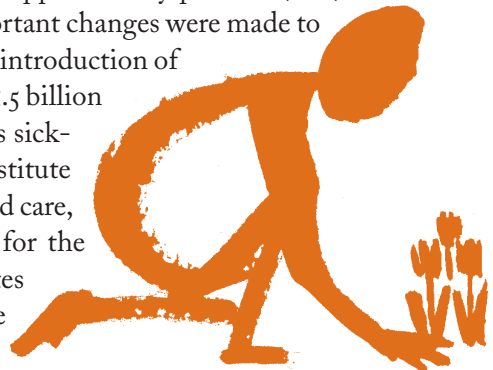
In 1999, social insurance costs totalled SEK 326.6 billion. In terms of 1999 prices, these costs have risen by 36 per cent since 1980.



Social insurance costs. From 1980 to 1999, old-age pensions accounted for the largest increase in expenditure. Support to families with children also showed an overall increase during this period, despite a fall in expenditure between 1994 and 1997.

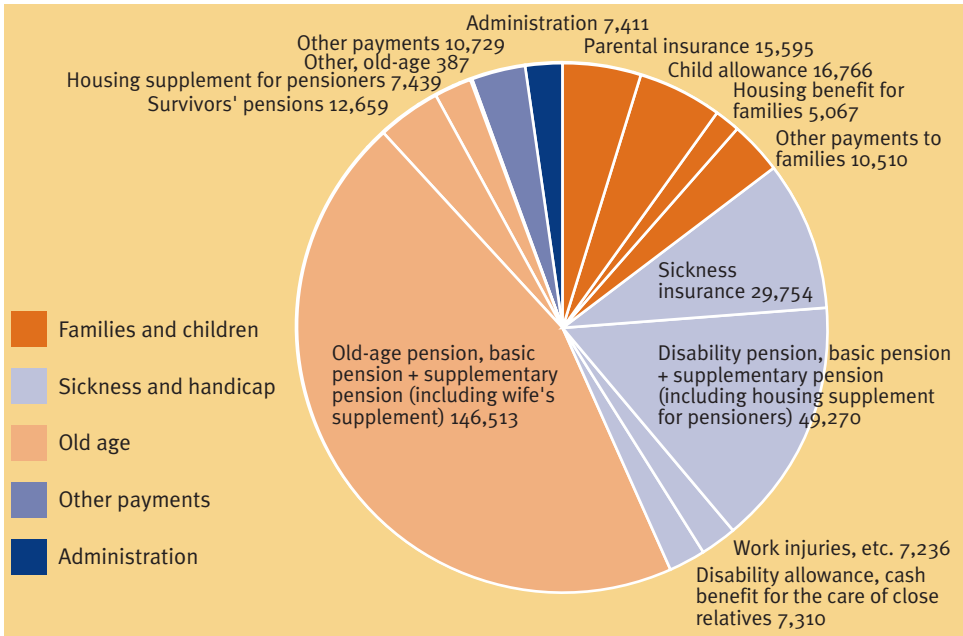
The increase was particularly pronounced during the second half of the eighties. Total costs expressed in terms of fixed prices continued to rise steadily up to 1992, after which they declined annually until 1999, when they again rose sharply. Expenditure in 1999 was more than SEK 30 billion higher than in 1998.

This rise in expenditure was due partly to rapidly mounting costs for sickness insurance and an increase in supplementary pension (ATP) payments. During 1999, a number of important changes were made to the social insurance system, including the introduction of state old-age pension fees (totalling SEK 15.5 billion in 1999). Many insurance schemes such as sickness benefit and parental allowance constitute pension-entitling income. In addition, child care, national service and studies also qualify for the right to pension. Thus the state contributes old-age pension fees equivalent in principle to these pension rights.



Type of insurance/benefit	1997	1998	1999
Financial security for families and children			
Parental insurance	13,282	14,129	15,595
Child allowance	14,424	16,830	16,766
Housing allowance for families with children and for young people	6,195	5,749	5,067
Care allowance for disabled children	1,567	1,656	1,851
Maintenance support	4,518	4,584	4,591
Child pension			
Basic pension (Fp)	287	286	289
Supplementary pension (ATP)	630	634	649
Pension right for child-care years	.	.	3,108
Adoption allowance	20	20	22
Total	40,923	43,888	47,938
Financial security in case of sickness and handicap			
Sickness insurance			
Sickness benefit and rehabilitation allowance	15,884	20,761	27,855
Medical benefits, etc	15,390	1,880	1,899
Disability/temporary disability pension, etc			
Basic pension (Fp)	13,511	13,554	13,869
Supplementary pension (ATP)	23,478	23,610	24,037
National old-age pension fees	.	.	8,865
Occupational guarantee for disability pensioners	.	.	0
Housing supplement to disability pension	2,233	2,346	2,499
Handicap allowance	979	996	1,012
Work injury benefit	6,080	6,010	7,236
Car allowance	214	212	201
Assistance allowance	4,496	5,192	6,039
Other benefits	161	134	58
Total	82,426	74,695	93,570
Financial security in old age, etc			
Old-age pension			
Basic pension (Fp)	52,886	52,674	53,279
Supplementary pension (ATP)	86,045	88,900	93,234
Survivor's pension			
Basic pension (Fp)	793	476	465
Supplementary pension (ATP)	11,425	11,718	12,194
Housing allowance for pensioners	7,311	7,245	7,439
Partial pension	1,065	585	300
Other pensions	99	98	87
Total	159,624	161,696	166,998
Other payments			
Training allowance	9,575	8,737	10,192
Cash labour market assistance	1,865	.	.
Daily allowance for conscripts, etc	25	10	14
Family allowance for conscripts	337	260	103
Other	459	469	420
Total	12,261	9,476	10,729
Administration	6,605	6,519	7,411
Total	301,839	296,274	326,646

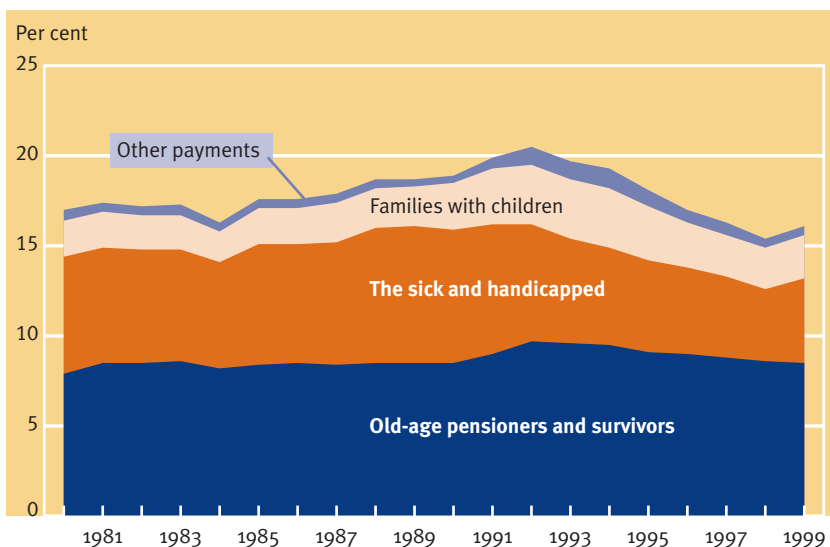
Social insurance expenditure from 1997 to 1999 in SEK million. For 1999, national old-age pension fees are included, totalling SEK 15,544 million.



More than half of social insurance spending (51 per cent or SEK 167 billion in 1999) goes to old-age pensioners and survivors, as shown by the following figure and the table above. Approximately three-tenths (29 per cent or SEK 93.6 billion) goes to the sick and functionally disabled. Support for families with children makes up approximately one-seventh

(15 per cent or SEK 47.9 billion) of the total. Apart from these, there are a number of other forms of compensation (3 per cent or SEK 10.7 billion). The administration of the national insurance offices and the Swedish National Social Insurance Board accounts for the remaining part of the costs (2 per cent or SEK 7.4 billion).





Social insurance payments as a share of GNP. Note that national old-age pension fees are included in the figures for 1999, raising the share of GNP accounted for by social insurance by just under 1 percentage unit.

Social insurance payments constitute a significant part of the national economy. In 1999, they amounted to 16 per cent of the gross national product (GNP). After rising in a virtually unbroken curve, total payments from social insurance peaked at 21 per cent in 1992. A number of cost-cutting regulatory measures have subsequently brought about a reduction in the share of social insurance in an expanding GNP. These changes include reduced levels of compensation for a number of benefits, sick pay periods, and qualifying days for sickness insurance. In 1999, the share of GNP deriving from social insurance was down to the same level as at the end of the 1970s.



Type of insurance	Income, SEK million				Expenditure, SEK million			Surplus ¹
	Charges	Statutory gov't. funding	Other ²	Total	Payments	Administration	Total	
Sickness insurance	62,213	15,341	–	77,554	74,999 ³	2,555	77,554	–
Medical benefits	–	2,016	–	2,016	1,899	117	2,016	–
Handicap allowance	–	1,088	–	1,088	1,012	76	1,088	–
Work injury	11,579	200	–	11,779	7,236	248	7,484	4,295
Car allowance	–	232	–	232	201	31	232	–
Assistance allowance	–	4,581	1,541	6,122	6,039	83	6,122	–
Old-age pension via National Pension Fund (AP fund)	105,204 ⁴	–	53,660	158,864	134,961	1183	136,144	22,720
via national budget	3,761 ⁵	8,209 ⁶	–	11,970	11,552	418	11,970	0
Premium pension scheme	23,528 ⁴	–	–	23,528	0	246	246	..
Survivor's pensions	12,730	965 ⁶	–	13,695	13,597	98	13,695	–
Housing supplement (BTP)	–	10,206	30	10,236	9,968	268	10,236	–
Partial pension	180	134	–	314	300	14	314	–
Parental insurance	16,476	0	–	16,476	15,272	589	15,861	615
Child allowance	–	16,970	–	16,970	16,766	204	16,970	–
Housing allowance to families with children, etc	–	5,516	–	5,516	5,067	449	5,516	–
Care allowance for disabled children	–	1,968	–	1,968	1,851	117	1,968	–
Maintenance support	–	3,355	1,695	5,050	4,591	459	5,050	–
Pension right for child-care years	–	3,108	–	3,108	3,108	..	3,108	–
Other benefits ⁷	31	414	110	555	537	18	555	–
Total	235,702	74,303	57,036	367,041	308,956	7,173	316,129⁴	..

¹ Total not given since income from the premium pension scheme consists of reserve funds.

² Those liable to pay maintenance, municipalities, interest, etc.

³ Including disability pension, pregnancy allowance, closely related person's allowance and national old-age pension fees.

⁴ Including national old-age pension fees.

⁵ Old-age pension fees above the "ceiling" of 8.06 of the price base amount may be considered to have partially financed national basic pensions in 1999.

⁶ In 1999, SEK 5,926 million was received in national basic pension fees for the years 1997 and 1998. These fees can also be seen as partially financing national basic pensions and survivor's pensions paid out in 1999.

⁷ Excluding payments in the labour market area and conscript allowances.

Social insurance income and expenditure in 1999. Social insurance is primarily financed through social security charges, insured persons' contributions, national old-age pension fees, interest earned on funds and general tax funds.

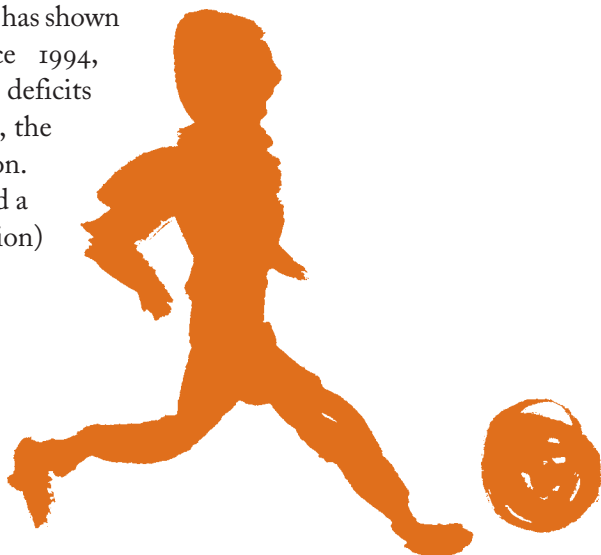
According to the statutory financing regulations, costs should in part be covered by social security charges and insured persons' contributions. The actual proportion for any one year is, however, only approximate, since the law does not specify for every insurance the degree to which it is to be financed by fees. This was especially true of 1999.

Due to the fact that income in the premium pension scheme (SEK 23.5 billion) is made up of reserve funds, it is impossible to state exactly how large a share of total expenditure was covered by income from contributions in 1999 (if we exclude the premium pension scheme, it amounted to roughly two-thirds). The share of expenditure financed by other means can, however, be given. Interest from the National Swedish Pension Fund covered almost 17 per cent of total social insurance expenditure.

The portion which according to the statutory regulations should be financed by taxes amounted to just less than one quarter (24 per cent) of expenditure in 1999. Payments from the municipalities, parents liable to pay maintenance, and some others, covered just over one per cent of total expenditure. Income from social security charges, insured persons' contributions and interest, etc, amounted to SEK 292.7 billion in 1999. The contribution from state funding totalled SEK 74.3 billion. Excluding payments in the labour market area, total expenditure was SEK 316.1 billion.

As shown in the above table, the portion of old-age pensions to be financed by the Swedish National Pension Fund showed a large surplus (SEK 22.7 billion) in 1999, due to the fact that over 40 per cent of the interest from the fund was added to the fund capital. It should be noted, however, that costs increase relatively sharply each year. This is due to the increasing number of old-age pensioners and to the average increase in the size of pensions. A certain surplus is thus required to cover future payments.

Work injury insurance has shown an annual surplus since 1994, successively balancing the deficits of previous years. In 1999, the surplus was SEK 4.3 billion. Parental insurance showed a small surplus (SEK 0.6 billion) in 1999.



Year	Social security fees paid	General insured person's contribution	Fees paid as a proportion of total social insurance expenditure, % ¹
1985	103 936		67
1985	103,936		67
1990	193,512		75
1991	204,455		71
1992	191,360		67
1993	175,185	6,244	63
1994	182,881	6,705	64
1995	166,672	28,385	65
1996	168,883	37,959	71
1997	165,956	47,261	74
1998	154,996	52,025	72
1999	152,564 ²	59,610	67 ²

¹ Excluding payments in the labour market area and payments to conscripts.
² Excluding the premium pension scheme, including national old-age pension fees.

Fees received 1985 and 1990–1999 in SEK billion. Note that the figures are not comparable over time. This is due to the many regulatory changes made primarily at the end of the nineties, as well as to the fact that the periodization of fees was implemented differently from year to year.

Type of insurance	1990	1995	1996	1997	1998	1999
Social security fees¹						
Sickness insurance	10.10	6.23	5.28	4.04	7.90	7.50
Work injury insurance	0.90	1.38	1.38	1.38	1.38	1.38
Basic pension	7.45	5.86	5.86	5.86	6.83	–
Supplementary pension (ATP)	13.00	13.00	13.0	13.00	6.40	6.40
Survivor's pension	–	–	–	–	–	1.70
Partial pension	0.50	0.20	0.20	0.20	0.20	–
Parental insurance	–	–	–	–	–	2.20
Total	31.95	26.67	25.72	24.48	22.71	19.18
General insured persons' contributions						
Sickness insurance	.	2.95	3.95	4.95	.	.
Pension	.	1.00	1.00	1.00	6.95	6.95
Total	.	3.95	4.95	5.95	6.95	6.95

¹ Other percentage rates often apply to self-employed persons since 1993.

Statutory contributions to social insurance in 1990 and between 1995 and 1999 as a percentage of respective chargeable income. The charge base for social security charges consists of the wage total for employees and the self-employed and is paid by the employer and the self-employed respectively.

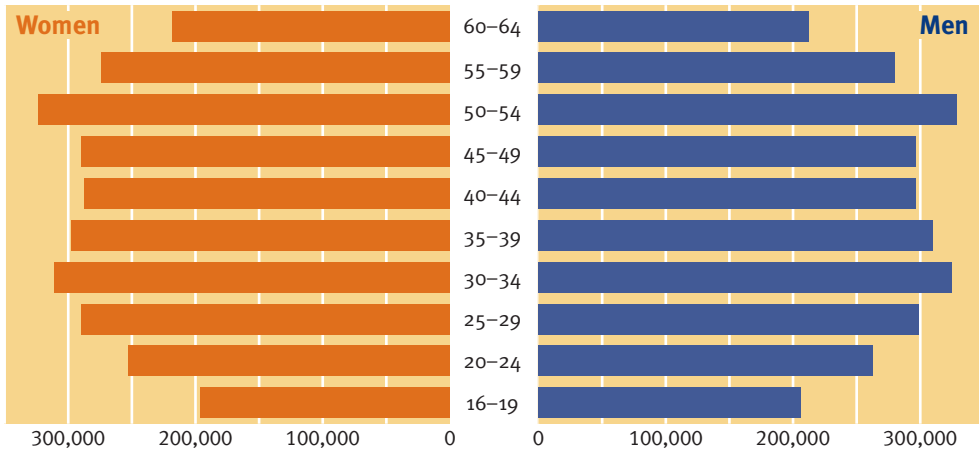
Insured persons' contributions are paid by those gainfully employed. They are based on earned income as well as on other income such as sickness benefit, unemployment insurance and other compensation for loss of income up to a total of 8.07 times the raised price base amount for one year. Over the period between 1993 and 1997, there was a general sickness insurance charge and a general pension charge. In 1998, the general sickness insurance charge was replaced by a corresponding increase in the general pension charge.

In 1999, several changes were made, partly in order to bring charge levels in line with expenditure in each area. The basic pension paid to old-age pensioners with supplementary pension (ATP) is now financed by old-age pension fees (formerly the ATP fee). ATP paid to persons with disability pensions and sickness benefit, as well as basic pensions for these groups, is financed by the sickness insurance fee. Charges for basic pension and partial pension were abolished in 1999. Charges for survivor's pension and parental insurance were introduced. Sickness insurance fees were lowered by 0.4 percentage units.

Moreover, a considerable reduction (3.53 percentage units) was made in the overall charges for social insurance. This was compensated, however, by an increase of 3.56 percentage units in the general salary contribution.



Registered insured persons



Registered insured persons in 1999.

Swedish citizens and foreign nationals resident in Sweden are insured under the National Insurance Act (AFL).

All insured persons aged 16 and over and resident in Sweden are

registered at the social insurance office. Persons leaving Sweden are considered as domiciled here provided their stay abroad does not exceed one year.

Regulations

Age	Women	Men	Women and men
16-19	195,800	206,500	402,300
20-29	542,300	561,300	1,103,600
30-39	608,500	634,900	1,243,400
40-49	576,400	592,700	1,169,000
50-59	597,100	609,000	1,206,100
60-64	217,800	212,800	430,600
65-	883,500	648,600	1,532,200
Total	3,621,400	3,465,800	7,087,200

Registered insured persons in 1999.

Sickness benefit insurance is held by all registered insured persons whose annual earned income is estimated to be a minimum of 24 per cent of the base amount. In 1998 and 1999, this was the equivalent of SEK 8,800. For 1997 and earlier, the figure was SEK 6,000 a year. The income entitling earners to sickness benefit may be no higher than 7.5 times the base amount per year (SEK 273,000 for 1999).

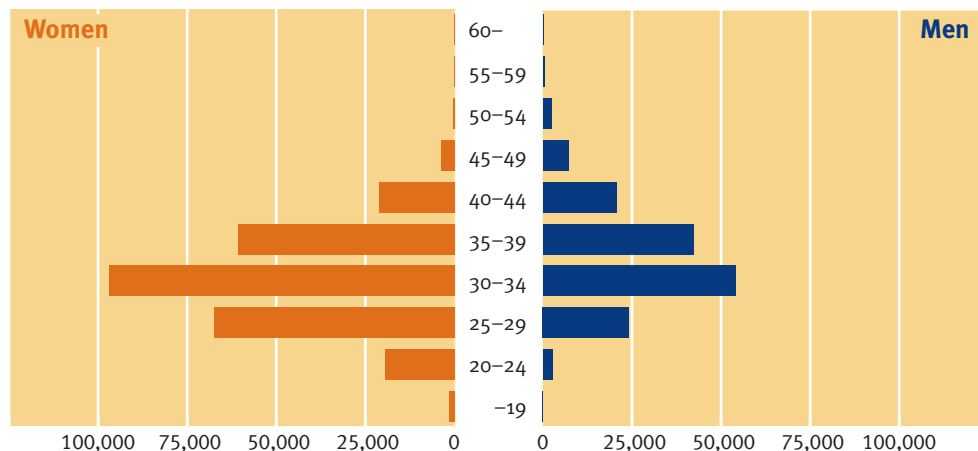
Since 1992, people are no longer obliged to report new or changed income to the social insurance office in advance. Today, any change in income level may be reported at the time of claiming a benefit from the social insurance office. This means that details are no longer available about how many insured persons there are at each income level.

Regulations

Financial security for families and children

Parental allowance for the birth of a child

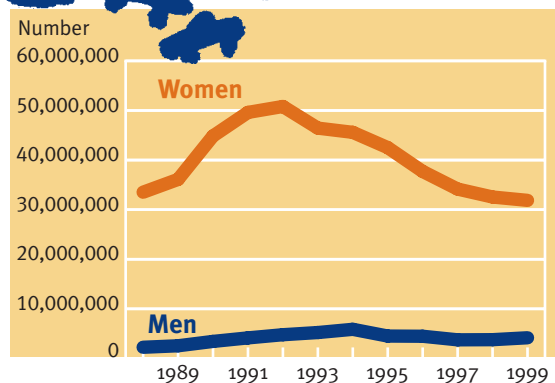
Parental insurance is designed to help both parents combine parenthood and working life.



Persons with parental allowance in 1999.

Women have consistently used parental insurance to a greater extent than men. 426,000 persons received parental allowance in 1999. Women made up

64 per cent, and men 36 per cent. More than one third were over 35. Only in the very highest age groups did more men than women receive parental allowance, due to the fact that older men can have children with younger women.



Number of days with parental allowance. On average, men claim far fewer

days than women. Of the total days with parental allowance claimed in 1999, women accounted for 88 per cent. The figure clearly shows the impact of the large number of children born in the years around 1990. The number of days with parental allowance claimed since then has decreased progressively year by year in conjunction with the falling birth rate. The number of days with parental allowance was highest in 1992. Since then, the number of days has steadily decreased. For men, however, the numbers peaked in 1994, and a slight rise was noticeable in 1999.

Regulations

Parental allowance for the birth or adoption of a child is available for a total of 450 days per child. For the first 360 days, the benefit is related to the parents' loss of income, though the minimum amount payable is SEK 60 per day. For the remaining 90 days, everyone receives a guaranteed amount of SEK 60 a day.

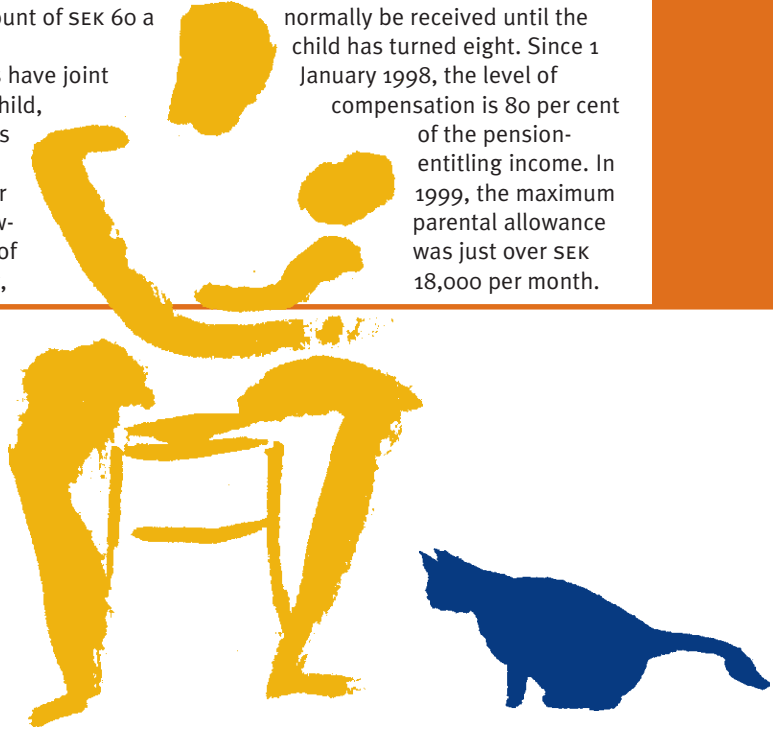
If the parents have joint custody of the child, each of them has the right to half the total number of parental allowance days. One of the parents may,

however, transfer the right to parental allowance to the other parent, with the exception of the 30 days known as the "father's/mother's month".

The benefit is payable for different portions of a day - at 100 per cent, 75 per cent, 50 per cent or 25 per cent of the full rate. Parental allowance can

normally be received until the child has turned eight. Since 1 January 1998, the level of

compensation is 80 per cent of the pension-entitling income. In 1999, the maximum parental allowance was just over SEK 18,000 per month.



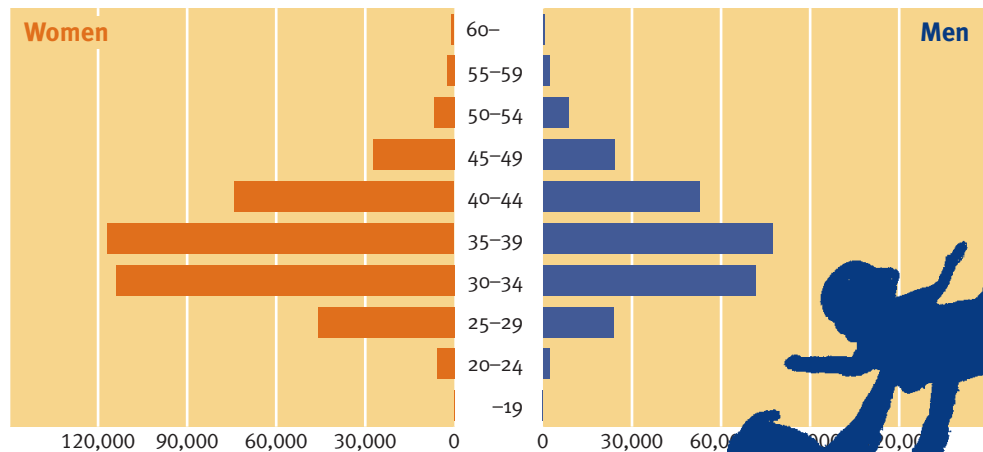
Age	Number of recipients		Average number of days		Average amount over the year, SEK	
	Women	Men	Women	Men	Women	Men
-19	1,635	27	179	66	12,693	5,592
20-24	19,381	2,761	165	32	32,697	10,628
25-29	67,562	24,170	140	27	41,707	10,669
30-34	96,982	53,969	117	27	38,960	10,951
35-39	60,750	42,162	96	27	31,745	11,010
40-44	21,126	20,738	73	26	22,953	10,655
45-49	3,907	7,169	45	27	12,658	10,527
50-54	318	2,350	36	31	9,997	12,117
55-	18	685	31	38	7,664	13,514
Total	271,679	154,031	117	27	35,766	10,886

Parental allowance for the birth of a child in 1999.

In 1999, out of a total of SEK 11.4 billion paid in parental allowance for the birth of a child, 85 per cent went to women and 15 per cent to men.

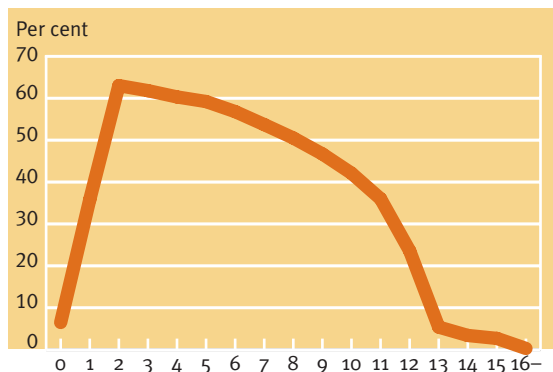
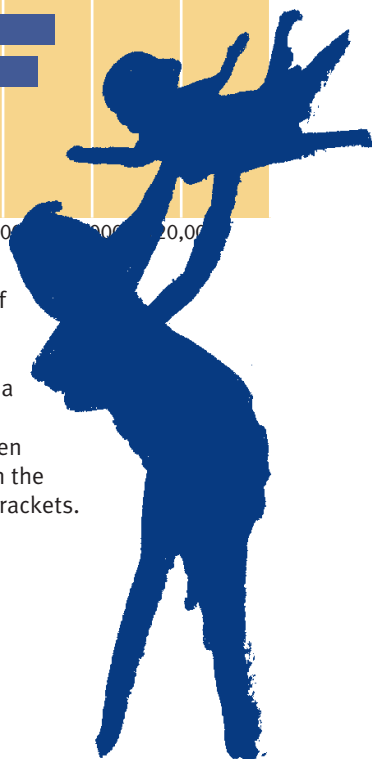
Temporary parental allowance

Temporary parental allowance enables parents to stay at home from work when their child is sick.



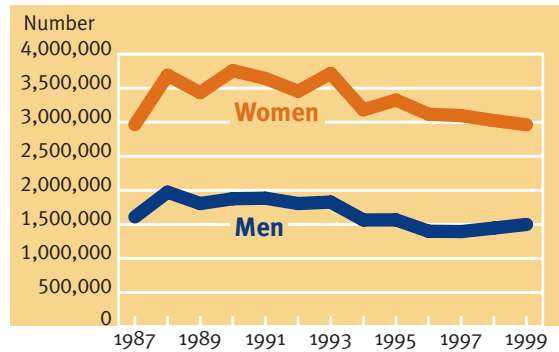
Persons with temporary parental allowance for the care of a child in 1999. More than 657,000 persons used temporary parental allowance in 1999. Most of these were women, 60 per cent. Men made up 40 per cent, which is somewhat higher than the number of men who received parental allowance for the birth of a child, 36 per cent. Distribution according to age

and sex for both types of benefit is strikingly similar, with a higher proportion of men found only in the higher age brackets.



Children cared for with temporary parental allowance in 1999. Temporary parental allowance was taken out for more than half of the children aged between two and eight. Over 60 per cent of two- and three-year-olds were at one time or another during 1999 cared for by a parent or other person receiving temporary parental allowance.

Days with temporary parental allowance for the care of a child. Women used 66 per cent of the days during 1999. The percentage used by men fell for a number of years, but has risen somewhat over the past few years. Despite an increase in the number of children during the nineties, the number of days for which payment was made for the care of sick children decreased for the major part of this period. This may have been due to two decreases in the compensation level in combination with widespread unemployment. A contributory factor was the decrease in



the number of younger children, who are most often in need of care. The level of compensation was raised in 1998.

A parent needing to stay home from work to care for a sick child is entitled to temporary parental allowance. This applies to children under 12 (in certain cases under 16). Normally, compensation is paid for 60 days per child and year. The right to temporary parental allowance may in certain circumstances be transferred to another person who stays at home from work instead of the parent to care for the child.

Parents of children covered by the Swedish Act on Support and Service for certain functionally disabled persons (LSS) may receive compen-

sation for the care of a sick child aged between 16 and 21 (sometimes older).

In addition, the parent of a child who is 15 or younger and who is covered by LSS is also entitled to ten so-called contact days per child and year to use in pre-school or school.

The allowance is payable on a whole-day, three-quarter day, half-day or quarter-day basis. In 1997, the level of compensation was 75 per cent. Since 1 January 1998, it is 80 per cent of the pension-entitling income. In 1999, the maximum parental allowance was just over SEK 18,000 per month.

Regulations

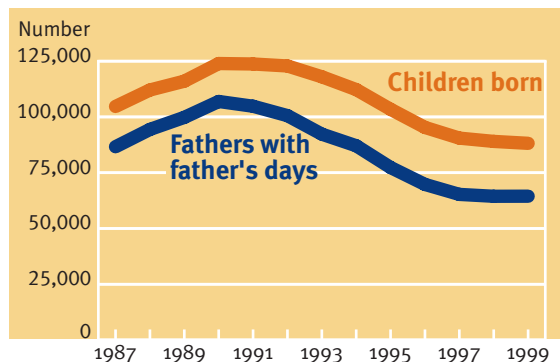


Age	Number of recipients		Average number of days		Average amount over the year, SEK	
	Women	Men	Women	Men	Women	Men
-19	28	6	10	4	3,861	1,741
20-24	5,772	2,098	9	7	3,955	3,886
25-29	45,919	23,812	9	6	4,328	4,153
30-34	114,012	71,611	8	6	4,493	4,172
35-39	116,813	77,298	8	6	4,154	3,913
40-44	74,028	52,793	6	5	3,629	3,545
45-49	27,434	24,198	6	5	3,269	3,267
50-54	6,891	8,577	5	5	2,743	3,318
55-59	2,397	2,144	3	5	1,818	3,096
60-	1,009	481	3	5	1,517	3,105
Total	394,303	263,018	8	6	4,064	3,844

Temporary parental allowance for the care of a child in 1999. Out of a total of around SEK 2.6 billion paid in 1999 in temporary parental allowance for the care of a child, 61 per cent went to women and 39 per cent to men.

Paternity leave

Paternity leave enables the father to be present at the birth of his child, manage the home and take care of children when a child is born.



Paternity leave. The number of children born and the number of fathers taking paternity leave reached a peak in 1990, when approximately 86 per cent of fathers took paternity leave. During the greater part of the nineties, the number of days of paternity leave progressively shrank, due to a decrease in the number of children born and in the number of new fathers taking advantage of their 10 allowed days. In 1999, only 73 per cent of fathers took paternity leave.

Regulations

In connection with the birth or adoption of a child, the father is entitled to temporary parental allowance for a period of 10 days per child. These days may only be used during the sixty-day period after the child comes home or

is being cared for by the adoptive parent.

Since 1 January 1998, the compensation level is 80 per cent of the pension-entitling income. In 1999, the maximum compensation was just over SEK 18,000 per month.



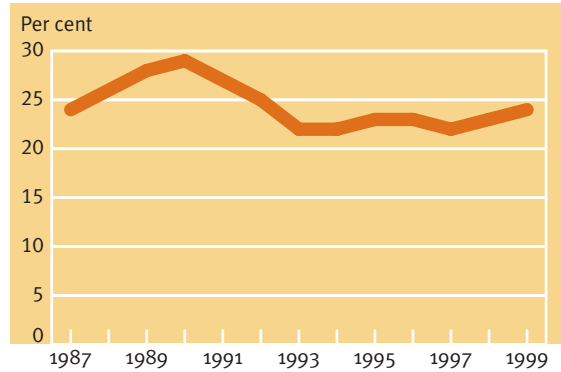
Age	Number of recipients	Average number of days	Average amount over the year, SEK
-19	24	8.8	4,182
20-24	2,453	9.4	5,454
25-29	15,350	9.5	6,209
30-34	24,551	9.5	6,616
35-39	14,501	9.5	6,665
40-44	5,411	9.5	6,635
45-49	1,551	9.4	6,413
50-54	477	9.3	6,354
55-59	127	9.5	6,272
60-	24	9.7	5,557
Total	64,469	9.5	6,479

Paternity leave in 1999. In 1999, SEK 418 million was paid out in paternity leave.

Pregnancy allowance

The pregnancy allowance enables pregnant women who are unable to continue working to take time off to rest.

Number of women with pregnancy allowance. During the later stages of pregnancy, most women receive social insurance compensation in the form of pregnancy allowance, sickness benefit or parental allowance. The proportion of women receiving pregnancy allowance increased in general throughout the eighties, reaching a peak of almost 30 per cent in 1990. After a distinct fall in the early nineties, a slight increase was again perceptible in 1998 and 1999.



The social insurance office only pays pregnancy allowance if the woman's employer cannot offer her alternative employment. The woman may receive pregnancy allowance for a maximum of 50 days during the last two months of her pregnancy.

Since 1 January 1998, the compensation level is 80 per cent of the pension-entitling income. In 1999, the maximum pregnancy allowance was just over SEK 18,000 per month.

Regulations

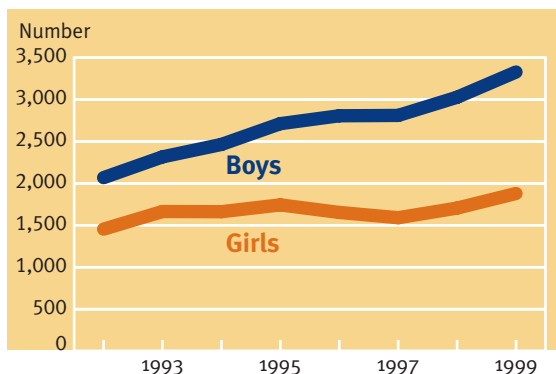
Age	Number of recipients	Average number of days	Average amount over the year, SEK
-19	18	34	10,129
20-24	2,522	38	13,537
25-29	8,033	38	14,588
30-34	6,890	38	15,081
35-39	2,755	38	15,176
40-44	492	38	15,107
45-49	16	35	15,097
Total	20,726	38	14,711

Pregnancy allowance in 1999. In 1999, SEK 305 million in pregnancy allowance was paid to almost 21,000 women.



Care allowance

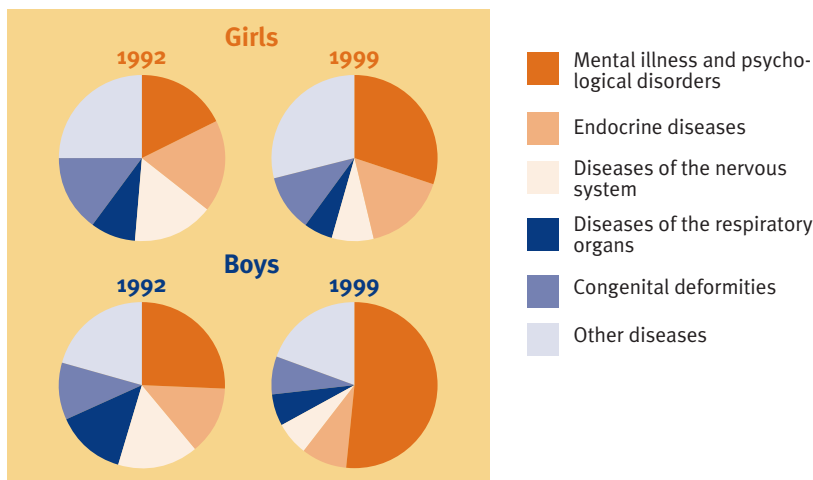
Care allowance helps parents to provide a sick or functionally disabled child with care and attention, and the support necessary for the child to develop in the best possible way.



Children with new care allowances.

The number of new care allowances granted increased during the nineties. During this period, two new levels of compensation were introduced, 25 per cent and 75 per cent. The introduction of the lowest level allowed a larger number than before to receive care

allowance. Since 1994, this level is the most frequently granted. At the same time, a shift has taken place from younger to older children. In 1992, children aged 0 to 4 made up approximately half the total, but in 1999, this group comprised just over a quarter.



Children with new care allowances.

It is primarily the psychological diagnoses that account for the changed picture in 1999 compared with 1992. Behavioural disorders such as DAMP

and ADHD are diagnosed ever more frequently. The number of cases diagnosed among boys has more than trebled, while among girls it has roughly doubled.

Regulations

A parent may receive care allowance for his/her child if the child is younger than 16 and is in special need of attention and care for at least six months due to sickness, mental retardation or some other form of functional disability. The parent may also receive care allowance if the child's sickness or functional disability gives rise to increased expenses (additional costs).

If the parent takes care of several sick or functionally disabled children in the specified age group, the right to care allowance is based on their total need of attention and care, as well as the extent of the increased expenses.

Care allowance is a basic pension benefit and is payable at 100 per cent, 75 per cent, 50 per cent or 25 per cent of the full rate. Full care allowance is 2.5 times the base

amount per year, which in 1999 amounted to SEK 7,583 per month. Care allowance is taxable and qualifies for pension. Care allowance for increased expenses is, however, exempt from tax.

Under certain circumstances, compensation for additional costs can be paid on top of the normal amount for full benefit. Since 1 January 1998, a parent may be granted care allowance even if there is only a need of compensation for additional expenses. In such cases, care allowance is 36 or 62.5 per cent of the base amount per year, depending on the size of the additional expenses.



Age	Number of recipients (parents)		Average amount per month, SEK	
	Women	Men	Woman	Man
-24	215	5	4,387	3,602
25-29	1,840	63	4,617	4,258
30-34	6,039	406	4,585	4,081
35-39	7,956	684	4,573	3,922
40-44	5,982	692	4,564	4,018
45-49	2,811	472	4,641	4,021
50-54	890	235	4,765	4,251
55-	140	104	5,023	3,976
Total	25,873	2,661	4,592	4,027

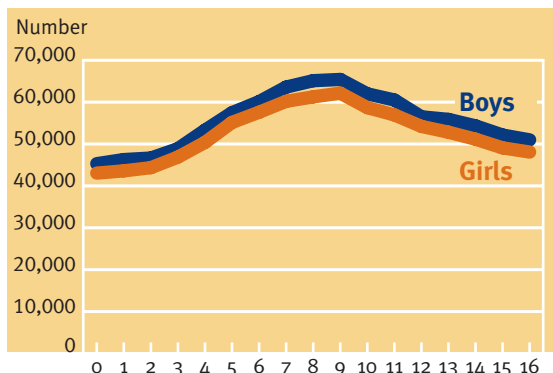
Care allowance in December 1999.

A total of just over SEK 1.8 billion in care allowance was paid in 1999, of which 92 per cent went to women and

8 per cent to men. More and more parents share care allowance between them. In 1999, shared care allowances amounted to approximately 1,000.

Child allowance

Child allowance is designed to even out financial inequalities between families with and without children as well as over a lifetime.



Source: Statistics Sweden (scb)

Number of children in 1999. At the end of 1999, there were 896,000 girls and 944,000 boys aged between 0 and 16. The figure clearly illustrates the effect of the so-called baby boom. The very large groups of children born around 1990 have reached the age of eight or nine by 1999. Since the peak year of 1990, the number of children born has fallen gradually. The number of children born in 1999 (zero years in the figure) was over 30 per cent lower than the number born in 1990.

Regulations

Child allowance includes basic child allowance, extended child allowance and additional child allowance.

All parents are entitled to basic child allowance for children domiciled in Sweden, up to the quarter when the child turns 16. After this, the parent may receive so-called extended child allowance for as long as the child attends compulsory school or the equivalent.

A parent receiving basic child allowance, extended child allowance or study grants for three or more

children also receives additional child allowance. During 1996 and 1997, the regulations were changed so that no new additional child allowances were granted but since 1 January 1998, they are once again being granted. Child allowance is exempt from tax.

On 1 January 1998, child allowance was raised to SEK 750 per child and month. Additional child allowance is SEK 200 per month for the third child, SEK 600 for the fourth child and SEK 750 for the fifth child and for every additional child thereafter.

	Monthly sum, SEK		Total	Yearly sum, SEK
	Child allowance	Additional child allowance		
1 child	750	–	750	9,000
2 children	1,500	–	1,500	18,000
3 children	2,250	200	2,450	29,400
4 children	3,000	800	3,800	45,600
5 children	3,750	1,550	5,300	63,600
For each additional child:	750	750	1,500	18,000

In 1999, approximately SEK 16.8 billion was paid in child allowance.

Child pension

A child is entitled to a child pension if one or both of its parents are deceased.

The child may receive the pension up to the age of 17. A child who is studying may in certain cases continue to receive the pension up to the end of June in the year the child turns 20.

The child pension from the basic pension scheme is at least 25 per cent of the base amount for each deceased parent, corresponding to SEK 758 per month in 1999.

From the supplementary pension scheme, the child receives 30 per

cent of each deceased parent's supplementary pension (ATP). If the child has siblings, a further 20 per cent of the ATP sum is added for each sibling. The total sum is shared equally between the children.

The total child pension (basic pension and supplementary pension) for one child should always be at least 40 per cent of the base amount per year for each deceased parent, which was equivalent to just over SEK 1,200 per month in 1999.

Regulations

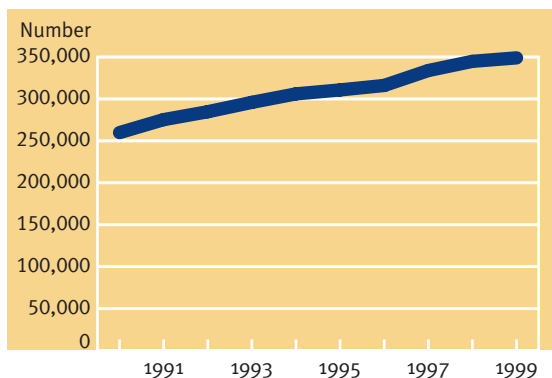
Age	Number of recipients	
	Girls	Boys
0-4	457	461
5-9	2,400	2,572
10-14	4,925	5,360
15-19	6,692	7,051
Total	14,474	15,444
Average amount per month, SEK	2,520	2,514

Child pensions in December 1999. Out of a total of around SEK 940 million paid in child pensions in 1999, roughly 48 per cent went to girls and 52 per cent to boys.



Maintenance support

Maintenance support is designed to ensure that parents take financial responsibility for the children they do not live with, while at the same time guaranteeing these children a reasonable economic standard.



Children with maintenance advance or maintenance support.

In December 1999, maintenance support was paid by the social insurance office for around 349,000 children aged between 0 and 20. The increase in the number of children receiving maintenance support/maintenance advance during the nineties was due both to an increase in the total number of children and to an increase in the proportion of children receiving the benefit. Since 1997, there are also the extended maintenance supports.

Regulations

On 1 February 1997, a new support system - maintenance support - was introduced, directed at parents who have separated. Maintenance support replaced the previous system of maintenance advances and special allowances for certain adopted children.

The background is that parents have a maintenance obligation towards their children. A parent who does not live together with his/her child is legally obliged to fulfil his/her maintenance obligation by paying maintenance to the parent with whom the child lives. When the level of maintenance is determined by agreement or by a court of law, account is taken of the child's needs and the parents' overall financial means.

The parent with whom the child lives can receive maintenance support from the social insurance office if

- the parent obliged to pay maintenance does not do so
- the maintenance agreed is lower

- than SEK 1,173 per month is paid
- paternity has not been established
- one parent is deceased and the child does not receive a child pension
- the child has been adopted by only one parent.

Maximum maintenance support is SEK 1,173 per month and child. Extended maintenance support can be paid for a child pursuing studies which qualify for extended child allowance or a study grant, but no longer than June in the year the child turns 20.

In principle, the parent liable to pay maintenance must repay the costs borne by society for the maintenance support paid to the other parent.

A parent with financial problems may be temporarily or permanently relieved of the obligation to pay. In the case of a temporary interruption of payments, a debt arises which must be repaid. A debt may also arise if the parent liable to pay maintenance refuses to pay.

Age	Girls	Boys	Proportion of each age group, per cent	
			Girls	Boys
0-4	18,244	19,192	8.0	8.0
5-9	50,072	52,445	16.9	16.8
10-14	59,340	61,905	21.7	21.4
15-17	31,897	34,102	21.9	22.1
18-20	10,220	11,557	11.1	10.2
Total	169,782	179,201	16.3	16.3

Children with maintenance support in December 1999.

Age	Number of recipients		Average amount in December, SEK	
	Women	Men	Women	Men
-24*	16,309	10,867	1,209	1,094
25-29	20,431	993	1,585	1,349
30-34	41,181	3,738	1,812	1,419
35-39	49,549	6,955	1,872	1,469
40-44	37,673	7,927	1,704	1,419
45-49	19,545	5,260	1,523	1,371
50-54	7,551	2,415	1,358	1,321
55-59	1,459	789	1,257	1,378
60-	135	331	1,241	1,310
Total	193,833	39,275	1,680	1,322

* Including recipients of extended maintenance support.

Maintenance support in December 1999. In 1999, SEK 4.6 billion was paid in maintenance support, of which 86 per cent went to women and 14 per cent to men.

Age	Number liable to pay		Number with debts		Average debt* in December, SEK	
	Women	Men	Women	Men	Women	Men
-24	446	3,163	71	687	3,999	6,767
25-29	2,340	11,972	919	5,802	8,068	14,269
30-34	6,084	30,459	2,439	15,402	10,655	20,576
35-39	9,614	43,992	3,864	22,127	11,716	24,637
40-44	8,817	45,764	3,971	23,893	12,050	25,688
45-49	4,589	35,337	2,357	19,816	11,821	24,018
50-54	1,634	20,763	937	12,388	11,716	22,319
55-59	332	8,074	270	4,918	9,372	20,877
60-	22	3,624	11	2,087	8,364	18,828
Total	33,878	203,148	14,839	107,120	11,340	22,943

* The average debt is calculated on the basis of the parents with maintenance debts.

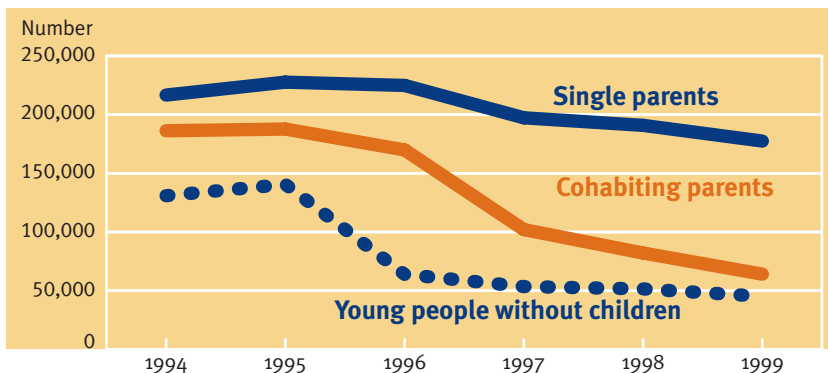
Parents liable to pay maintenance in December 1999. Out of the total of 237,000 parents liable to pay maintenance in December 1999, 14 per cent were women and 86 per cent men.

Out of the total debt of around SEK 2.6 billion at the end of 1999, women owed just over 6 per cent, whereas men owed 94 per cent.



Housing allowance

The housing allowance is designed to enable financially weak households to live in adequate and sufficiently spacious accommodation.



Households with housing allowances.

The number of households with a housing allowance has decreased over the past few years. This is due to changes that have been made in the

regulations. It is mainly households consisting of two parents and children that have become fewer as recipients of housing allowances.

Regulations

Families with children and young households without children (28 and younger) may receive a housing allowance.

Families with children may receive both a special allowance for children living at home and a contribution towards their housing costs. The

special allowance for children living at home depends on the number of children and the household's income.

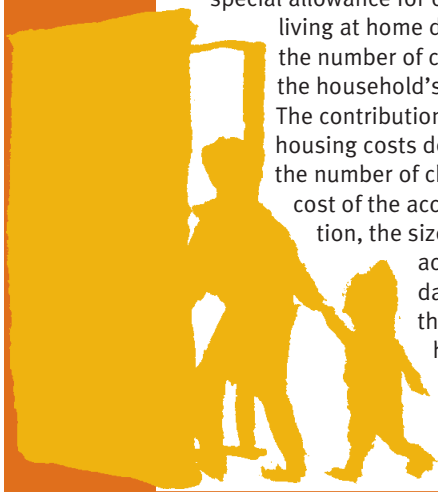
The contribution towards housing costs depends on the number of children, the cost of the accommodation, the size of the

accommodation and the household's income.

On 1 January 1997, a

new system was introduced for estimating and verifying the income of those applying for a housing allowance. Applicants are asked to estimate what they will earn over the coming twelve months, and a preliminary housing allowance is calculated on the basis of this information. Afterwards, the income information is checked against taxed income and a final housing allowance is calculated. The balancing of the benefits for 1999 was carried out in January 2000. Households that have received too large a preliminary benefit are obliged to pay back the difference plus a fee. If on the other hand a household has received too small a preliminary benefit, the difference is made up with interest.

For married or cohabiting couples with children, the housing allowance is means-tested on an individual basis. The benefit is reduced if the annual income of either partner



exceeds SEK 58,500, corresponding to a monthly income of just under SEK 5,000.

For a single person, the housing allowance is reduced if the annual income exceeds SEK 117,000, corresponding to a monthly income of just under SEK 10,000.

	Max. housing allowance per month, SEK	Max. living area, sq metres	Income limit above which housing allowance is reduced, SEK per year	
			Single persons	Married/cohabiting couples
<i>Families with children</i>				
Number of children				
1	2,500	80	117,000	58,500/applicant
2	3,175	100	117,000	58,500/applicant
3	3,900	120	117,000	58,500/applicant
4	4,200	140	117,000	58,500/applicant
5 or more	4,500	160	117,000	58,500/applicant
<i>Households without children</i>				
18–28 years	1,100	60	41,000	58,000

Regulations



Age	Number of households by type			Average amount per month and household, SEK		
	Single persons		Cohabitees	Single persons		Cohabitees
	Women	Men		Women	Men	
–24	22,730	14,390	8,059	924	604	1,263
25–29	20,685	7,133	10,692	1,607	767	1,566
30–34	28,543	4,672	13,598	1,895	1,080	1,679
35–39	33,738	6,693	13,446	1,880	1,139	1,708
40–44	28,804	6,877	8,761	1,676	1,136	1,701
45–49	17,350	4,972	4,155	1,488	1,144	1,655
50–54	7,395	2,812	1,625	1,393	1,138	1,567
55–59	1,846	1,180	436	1,395	1,181	1,564
60–	297	637	130	1,630	1,142	1,692
Total	161,388	49,366	60,902	1,606	925	1,608

Housing allowances in December 1999. Housing allowances are mainly paid to single parents, generally women. In December 1999, a total of around 270,000 households received a preliminary housing allowance.

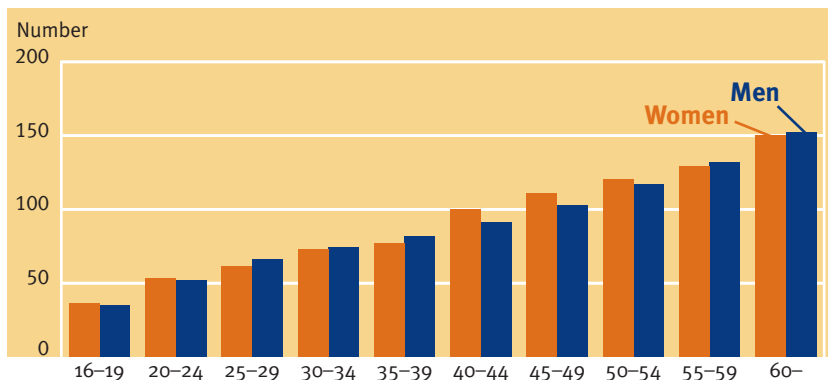
In 1999, a total of SEK 5 billion in housing allowances was paid to

roughly 400,000 households. Around SEK 3 billion went to the approximately 60 per cent of households where a woman was the sole breadwinner. Households where a man was the sole breadwinner made up just less than 20 per cent and received just over SEK 0.5 billion.

Financial security in case of sickness and handicap

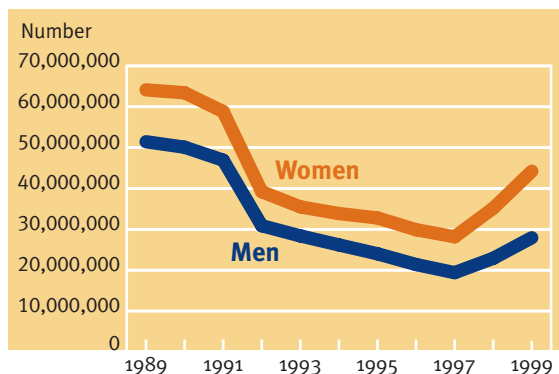
Sickness benefit

Sickness benefit provides financial security during periods of reduced working capacity due to sickness.



Sickness benefit days per recipient in 1998. The number of sickness benefit days increases with advancing age for both women and men. This might be interpreted to mean that medical risks increase with age. It may also mean

that the pressures of working life are increasing, or that persons who have been professionally active for a long period have also been subjected to greater overall strain.



Paid sickness benefit days. At the beginning of the nineties, the number of sick days paid by social insurance declined sharply. This decline was primarily the result of changes in the regulations. One example is the sick pay period from 1992, another is the qualifying day introduced in 1993. A further reason for the decline could be

greater restrictivity in applying the sickness insurance regulations, in conjunction with increased unemployment. Over the past few years, paid sickness benefit days have again increased sharply, especially for women. It is mainly long-term sickness which has increased.

Regulations

A person may receive 100 per cent, 75 per cent, 50 per cent or 25 per cent of the sickness benefit when income is lost for medical reasons. The deciding factor is the extent to which a person's working capacity is reduced by the sickness.

It is also possible to receive sickness benefit for medical treatment or medical rehabilitation aimed at preventing sickness or reducing the sickness period.

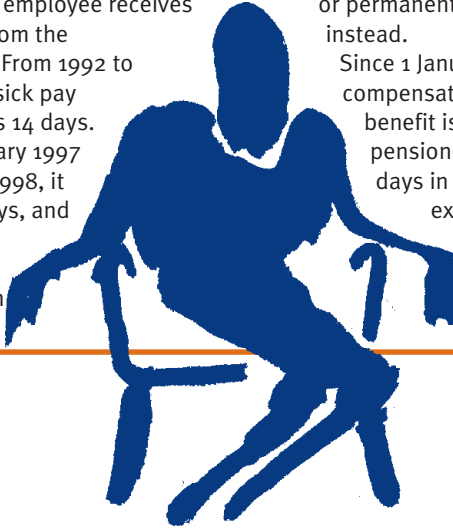
During the first days of a sickness period, an employee receives sick pay from the employer. From 1992 to 1996, the sick pay period was 14 days. From January 1997 to March 1998, it was 28 days, and since April 1998, it is once again 14 days. If

reduced working capacity due to sickness persists after the end of the sick pay period, an employee may receive sickness benefit from the social insurance office. Self-employed persons may have a qualifying period of 3 or 30 days.

There is no official limit to how long a person may receive sickness benefit, but if the social insurance office judges that the situation is likely to last for at least a year, the person is considered for a temporary or permanent disability pension instead.

Since 1 January 1998, the compensation for full sickness benefit is 80 per cent of the pension-entitling income for all days in the sickness period except the qualifying day.

The maximum sickness benefit for one day was SEK 598 in 1998 and 1999.

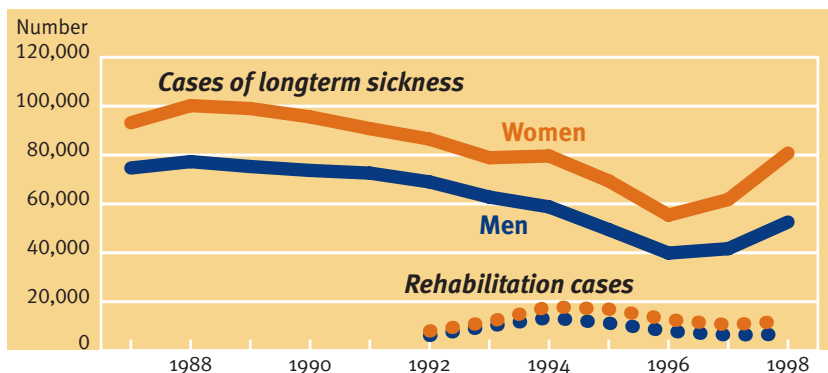


Age	Number of recipients		Average number of days		Average amount over the year, SEK	
	Women	Men	Women	Men	Women	Men
16-19	602	617	36	35	12,626	12,444
20-24	13,509	8,796	53	52	17,961	18,328
25-29	33,657	16,568	61	66	20,403	22,976
30-34	47,473	24,419	73	74	23,824	25,207
35-39	48,556	26,354	77	82	24,894	27,522
40-44	41,106	27,921	100	91	31,596	30,102
45-49	44,707	30,260	111	103	34,581	33,459
50-54	54,508	36,568	120	117	36,891	37,726
55-59	45,868	32,987	129	132	39,528	42,358
60-	22,782	18,951	150	152	47,400	49,560
Total	352,768	223,441	99	102	31,254	33,384

Sickness benefit in 1998. Out of a total of around SEK 18.6 billion in sickness benefit in 1998, 60 per cent went to women and 40 per cent to men. In 1999, SEK 24.2 billion was paid out.

Occupational rehabilitation

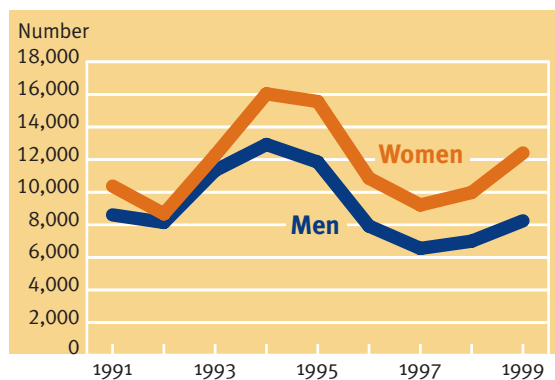
A variety of rehabilitation programmes help the long-term sick to return to work.



Long-term sickness and rehabilitation.

Long-term sickness refers here to cases of sickness lasting at least 30 days. The number of persons on long-term sick leave decreased substantially at the beginning of the nineties, but then rose again sharply. At the end of the eighties, there were around 170,000 persons on long-term sick leave (for at least 30 days), but the number then sank to less than 90,000. It is the very long-term cases lasting over a year which account for the dramatic rise and fall in numbers since the end of the eighties. The main reason for the decline during the nineties was that many long-term sick were granted permanent or temporary disability pensions in 1992 and 1993. A

similar reaction with an increasing number of grants of disability pensions was already noticeable during 1999, but became even more pronounced in 2000. Around 20 per cent of the cases of long-term sickness have received active rehabilitation. The number of cases of long-term sickness receiving a partial rehabilitation allowance reached a peak in 1995 (24 per cent).



Purchase of rehabilitation services.

In 1994, the number of purchases of rehabilitation services reached a peak. The number of purchases for women has lain consistently at a significantly higher level, which is explained by the fact that the majority of cases of long-term sickness are found among women.

Regulations

Work testing, work training, assessments by the Labour Market Institute (AMI) and training courses are examples of some of the programmes offered by occupational rehabilitation.

When participating in occupational rehabilitation, an individual may receive a rehabilitation allowance as compensation for lost income and a special allowance which covers certain so-called additional costs arising in connection with the rehabilitation (e.g. travelling expenses). In addition, the social insurance office may provide occupational rehabilitation services, grant allowances for work aids, pay

special compensation for rehabilitation and treatment, and compensate travel to and from work, in place of sickness benefit.

The rehabilitation allowance is payable at 100 per cent, 75 per cent, 50 per cent or 25 per cent of the full rate. Since 1 January 1998, the full rehabilitation allowance is 80 per cent of the pension-entitling income. In 1998 and 1999, the maximum rehabilitation benefit was just over SEK 18,000 per month.

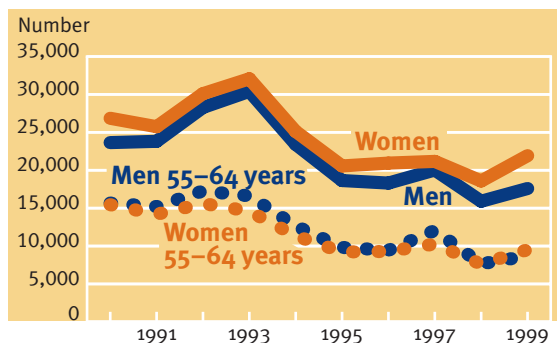


Age	Number of recipients		Average number of days		Average amount over the year, SEK	
	Women	Men	Women	Men	Women	Men
16-19	4	8	38	70	14,114	21,594
20-24	471	382	85	86	31,411	31,573
25-29	1,403	1,044	91	94	33,124	34,125
30-34	2,552	1,688	81	93	29,004	33,813
35-39	2,978	1,903	82	95	29,348	34,610
40-44	3,265	1,955	79	85	28,152	30,628
45-49	3,546	2,043	73	83	25,945	29,867
50-54	3,861	2,255	68	74	24,141	26,089
55-59	2,483	1,461	59	65	20,593	22,914
60-	615	361	46	49	15,968	17,116
Total	21,178	13,100	74	83	26,481	29,785

Rehabilitation allowance in 1998. Out of a total of SEK 951 million for rehabilitation allowances in 1998, 59 per cent went to women and 41 per cent to men. In 1999, just under SEK 1.2 billion was paid out.

Permanent and temporary disability pension

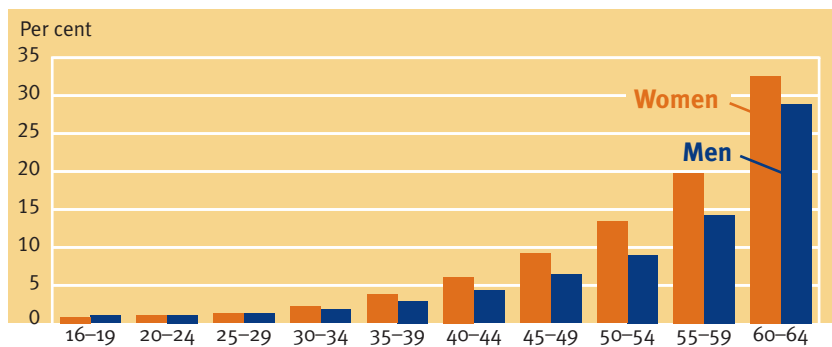
Permanent or temporary disability pensions provide financial security for persons suffering from a long-term reduction in their capacity to work.



Newly granted permanent and temporary disability pensions.

Early in the nineties, the granting of new disability pensions rose to record heights. The main reason was the greatly increased involvement of the social insurance offices in the field of rehabilitation. A large number of persons on long-term sick leave were granted permanent

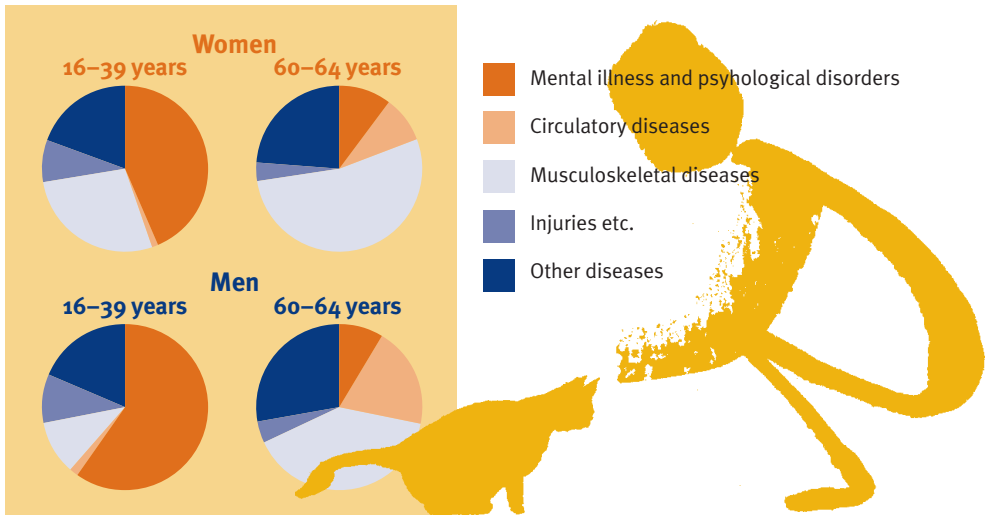
disability pensions because they were deemed unable to return to work even after rehabilitation. After reaching a peak in 1993, the granting of new disability pensions decreased, and in 1995, 1996 and especially 1998, sank to the lowest level since the beginning of the seventies. The decline was due to fewer cases of long-term sick leave in combination with tightened regulations and their more restrictive application. However, numbers only decreased for the higher age groups, which were virtually halved. For other age groups, numbers even increased slightly. Thus, the average age of new persons receiving permanent disability pensions sank from just under 55 at the close of the eighties to just over 50 by the end of the nineties.



Proportion of the population with permanent or temporary disability pensions in 1999.

In December 1999, there were almost 425,000 persons with permanent or temporary disability pensions, comprising just over 238,000 women and 186,000 men. It is more common for women to have partial pensions. When these are summed up in terms of full pensions, it turns out that there is little difference between

the sexes. This means that 7-8 per cent of the population of working age have for health reasons wholly or partially left working life with a disability pension, and this proportion increases with advancing age. In all age groups over 25, more women than men have disability pensions. In the age groups 60-64, the proportion with disability pensions is as high as 30 per cent.



Newly granted permanent and temporary disability pensions in 1999.

There are differences based on sex and age in the pattern of sickness among those granted disability pension. The most common reason for both men

and women is disease of the musculoskeletal organs, apart from the youngest, where psychological disorders dominate. Cardiovascular diseases are common among men but not among women.

Permanent or temporary disability pensions may be granted to persons aged between 16 and 64 whose working capacity is reduced for medical reasons, either permanently or for a long period, by at least one quarter.

Permanent disability pension is payable when a person's working capacity is permanently reduced. Temporary disability pension is payable when a person's capacity to work is reduced for a long period but not permanently (normally 1–3 years). In both cases, compensation is paid in the form of a basic pension and a supplementary pension (ATP). Compensation is payable at 100 per cent, 75 per cent, 50 per cent or 25 per cent of the full rate.

Full permanent or temporary disability pensions in the form of the

basic pension correspond to 90 per cent of the price base amount for unmarried and 72.5 per cent for married pensioners.

In 1999, the maximum basic pension and supplementary pension (ATP) was just over SEK 14,500 per month for an unmarried person with a disability pension.

Persons with a low supplementary pension (ATP) or none may receive a pension supplement and a housing supplement. Persons with no ATP receive a full pension supplement. For others, the pension supplement is reduced according to the amount of ATP. In 1999, full pension supplement to disability pensioners was 112.9 per cent of the price base amount, i.e. SEK 3,425 per month.

Regulations

The vast majority of all disability pensions go to people who have been forced to leave the labour market for reasons of ill health after a long

working life. This group receives a supplementary pension (ATP) proportional to earlier earned income.

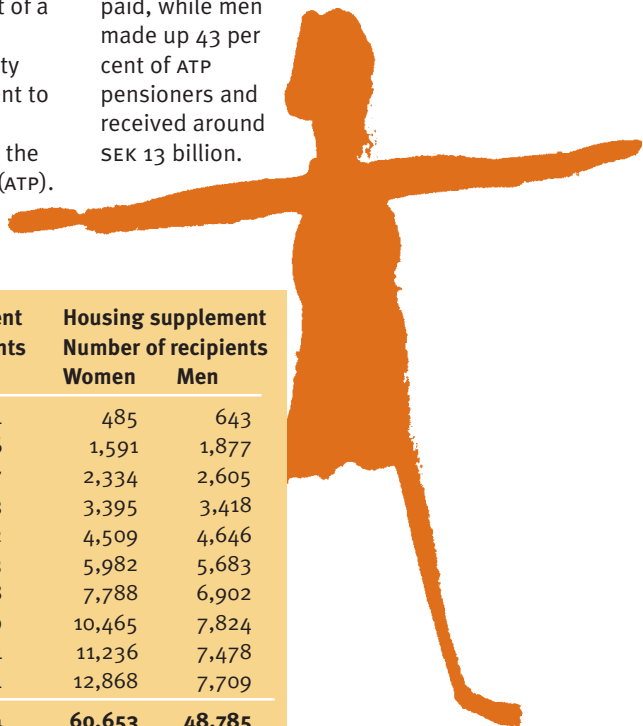
Age	Number of recipients		Average amount ¹ per month, SEK		Proportion of the population, per cent	
	Women	Men	Women	Men	Women	Men
16-19	1,478	2,089	6,114	6,121	0,8	1,0
20-24	2,582	2,999	5,964	6,058	1,0	1,1
25-29	3,783	3,754	5,691	6,058	1,3	1,3
30-34	6,811	5,762	5,782	6,507	2,2	1,8
35-39	11,178	8,917	5,905	6,808	3,8	2,9
40-44	17,589	12,865	6,072	7,060	6,1	4,3
45-49	26,561	18,815	6,263	7,420	9,2	6,4
50-54	43,236	29,637	6,496	7,893	13,4	9,1
55-59	54,205	40,140	6,711	8,488	19,8	14,3
60-64	71,066	61,483	6,894	9,116	32,6	28,9
	238,489	186,461	6,537	8,138	8,7	6,6

¹ The average amount includes basic pension, pension supplement and personal ATP.

Permanent or temporary disability pensions in December 1999. Out of a total of around SEK 41 billion in permanent or temporary disability pensions in 1999, 51 per cent went to women and 49 per cent to men.

SEK 24 billion was paid out in the form of supplementary pension (ATP). Women made up 57 per cent of ATP pensioners and received

around SEK 11 billion of the amount paid, while men made up 43 per cent of ATP pensioners and received around SEK 13 billion.



Age	Pension supplement		Housing supplement	
	Number of recipients Women	Number of recipients Men	Number of recipients Women	Number of recipients Men
16-19	1,469	2,081	485	643
20-24	2,557	2,976	1,591	1,877
25-29	2,938	3,097	2,334	2,605
30-34	3,208	3,153	3,395	3,418
35-39	3,722	3,762	4,509	4,646
40-44	4,827	4,243	5,982	5,683
45-49	6,733	5,078	7,788	6,902
50-54	10,256	5,889	10,465	7,824
55-59	12,266	5,701	11,236	7,478
60-64	17,913	6,774	12,868	7,709
Total	65,889	42,754	60,653	48,785

Pension supplement and housing supplement for persons with permanent or temporary disability pensions in December 1999. Out of the total amount paid for disability pensions, pension supplements made up just under SEK 2.9 billion, of which 57 per

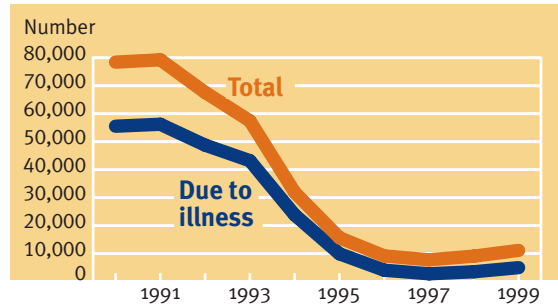
cent went to women and 43 per cent to men.

The housing supplement was around SEK 2.5 billion. 56 per cent of this was paid to women and 44 per cent to men.

Work injury benefit

Work injury benefit provides financial security when a person's working capacity is reduced due to a work injury.

Approved work injuries. The number of tested and approved work injuries caused by illness has fallen from just over 70 per cent to around 40 per cent. Today, for the most part, only cases that may result in the payment of an annuity are heard, since the special work injury sickness benefit has been discontinued. The decline is also due to the stricter rules introduced in 1993 for approving a work injury. The difference between the total number of approved work injuries and those work



injuries resulting from illness reveals the number of approved work injuries due to accidents.

All persons engaged in gainful employment in Sweden are insured against work injuries. The term work injury refers to accidents or illnesses resulting from harmful influences at work. Compensation is normally only payable if an approved work injury has led to a lasting reduction in a person's earning ability. Until the immediate effects of the injury have passed, the employee receives regular sick pay or sickness benefit.

If a person's earning capacity is still reduced at the end of the sick leave period, he or she has the right

to a so-called work injury annuity. The annuity is designed to compensate the recipient for all lasting loss of income. When calculating the size of the annuity, the income that the person is assumed to have earned if the accident had not occurred is compared with the income the person is estimated to receive after the accident. The annuity provides compensation for the entire difference, but may not exceed 7.5 times the price base amount per year, which was equivalent to almost SEK 23,000 per month in 1998 and 1999.

Regulations

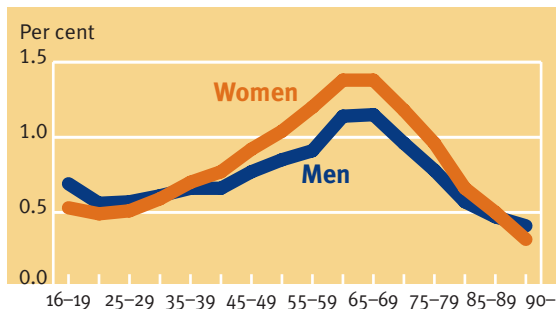
Age	Number of recipients		Average amount, per month, SEK	
	Women	Men	Women	Men
20-24	8	32	7,102	9,518
25-29	125	285	4,206	5,849
30-34	610	1,253	3,725	4,709
35-39	1,044	2,050	3,371	4,638
40-44	2,073	3,029	3,240	4,429
45-49	3,874	4,579	3,289	4,490
50-54	7,085	7,191	3,283	4,566
55-59	9,667	9,220	3,389	4,673
60-64	12,835	13,228	3,781	4,929
65-	9,607	7,937	1,001	950
Total	46,928	48,804	2,983	4,098

Work injury annuities in

December 1998. Out of a total of SEK 4.7 billion in work injury annuities in 1998, women received just over 40 per cent and men 60 per cent. In 1999, SEK 4.6 billion was paid out.

Handicap allowance

The handicap allowance provides financial security for people with functional handicaps who need the assistance of another person and/or have additional costs due to their handicap.



Proportion of persons in the population with handicap allowances in 1999. Generally speaking, handicap allowances are more common among women than men. The main group of recipients comprises those aged between 60 and 69.

Regulations

Persons who have become functionally disabled between the ages of 16 and 65 may receive a handicap allowance as a supplement to the basic pension or as a separate benefit. In order to qualify for this benefit, these persons must, due to their disability, need time-consuming help from another person in order to cope with life at home or at work. It is also possible for them to receive a handicap allowance if they have

significant additional costs as a result of their functional disability.

There are three compensation levels: 36 per cent, 53 per cent and 69 per cent of the base amount per year, depending on the assistance required and the size of the additional costs. In 1999, these three levels corresponded to around SEK 1,100, SEK 1,600 and SEK 2,100 per month. The blind and the deaf always receive allowances if their disability arose before the age of 65.



Age	Number of recipients		Average amount per month, SEK	
	W	Men	W	Men
16-19	845	1,149	1,437	1,454
20-29	1,838	2,210	1,440	1,464
30-39	2,511	2,312	1,471	1,493
40-49	3,586	2,660	1,452	1,495
50-59	5,525	3,785	1,439	1,458
60-69	5,422	4,069	1,378	1,407
70-79	4,266	2,750	1,336	1,331
80-89	1,411	735	1,251	1,225
90-	148	65	1,194	1,178
Total	25,552	19,735	1,402	1,430

Handicap allowance as a supplementary benefit in December 1999.

Age	Number of recipients		Average amount per month, SEK	
	W	Men	W	Men
16-19	201	272	1,471	1,392
20-29	918	1,009	1,362	1,400
30-39	1,408	1,745	1,339	1,407
40-49	1,304	1,620	1,380	1,489
50-59	1,134	1,595	1,387	1,504
60-	353	448	1,410	1,475
Total	5,318	6,689	1,373	1,453

Handicap allowance as a separate benefit in December 1999.

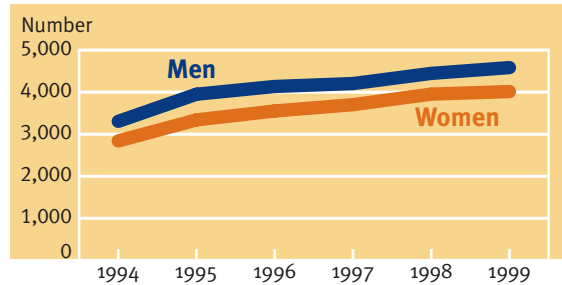
Out of a total of SEK 1 billion in handicap allowance in 1999, 53 per cent went to women and 47 per cent to men.

Assistance allowance

By being able to employ personal assistants, functionally disabled people are given the opportunity to live normal lives.

Persons with assistance allowance.

Assistance allowance was introduced in 1994, which meant that not many people received it that year. Since then, the numbers of recipients have steadily increased. There have always been more men recipients than women.



Assistance allowance is available to persons younger than 65 who suffer from autism, mental handicaps, significant functional disabilities after brain damage or other major and lasting functional disabilities not due to normal ageing. However, persons living in sheltered group accommodation are not entitled to assistance allowance. If there are reasonable grounds, the allowance can be paid for a short time while the person is in hospital.

The allowance from the social insurance office to the functionally disabled is designed to be used for the employment of personal assistants who can help them in their daily lives. The functionally disabled person may employ one or several assistants themselves, or use those available from the municipality or other organizations.

Assistance allowance is paid at a standard amount per hour. It was SEK 173 in 1999.

Regulations

Age	Number of recipients		Average hours per month	
	Women	Men	Women	Men
0-14	541	668	287	295
15-19	257	358	324	353
20-24	320	420	407	388
25-29	307	401	409	421
30-34	277	368	382	419
35-39	265	344	400	412
40-44	296	323	386	421
45-49	364	368	393	402
50-54	452	444	358	360
55-59	509	460	349	358
60-	425	429	333	323
Total	4,013	4,583	366	378

The figures refer to December 1999 but were compiled in March 2000, and may diverge from other statistics.

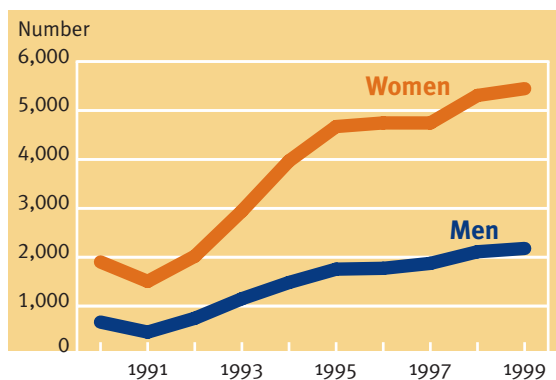


Assistance allowance in December 1999. Out of a total of SEK 6 billion in assistance allowance in 1999, around

46 per cent went to women and 54 per cent to men. The municipalities provided SEK 1.5 billion.

Allowance for care of close relatives

The allowance for care of close relatives enables a person to stay home from work to look after a seriously ill relative.



Persons with allowance for care of close relatives. The allowance for care of close relatives was introduced at the beginning of the second half of 1989.

In 1991, the level of compensation was lowered, which may explain the decrease in the number of people receiving the allowance that year. The following year, the rules were changed so that even a person looking after a seriously ill relative in hospital or other institution (i.e. not only in the home) was entitled to receive the allowance. The steady increase since 1991 can be attributed partly to the general public becoming more aware of the possibility of receiving allowance for care of close relatives. Women look after relatives to a far greater extent than men. Among those receiving this care, however, the sexes are more evenly represented.

Regulations

Persons staying home from work to look after a seriously ill person in the home or in a care institution are entitled to receive allowance for care of close relatives. In general, the allowance is payable for a maximum of 60 days for each of the persons cared for. The allowance is payable at 100

per cent, 50 per cent or 25 per cent of the full rate. In 1997, the compensation level was 75 per cent of the pension-entitling income. Since 1 January 1998, the compensation level is 80 per cent. In 1999, the maximum allowance for care of close relatives was just over SEK 18,000 per month.

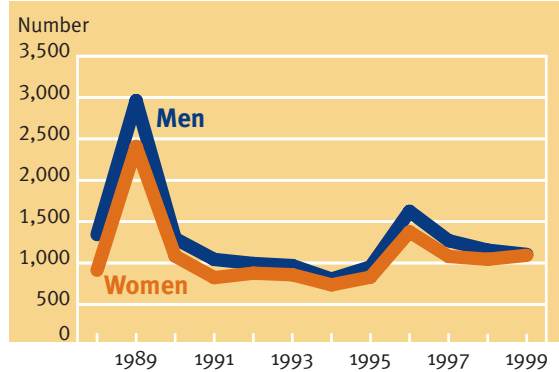
Age	Number of recipients		Average number of days		Average amount over the year, SEK	
	Women	Men	Women	Men	Women	Men
-24	79	22	10	9	4,650	5,082
25-29	205	112	11	11	5,232	6,497
30-34	408	213	10	9	5,297	5,912
35-39	611	311	10	8	5,553	5,472
40-44	823	349	9	8	5,134	5,470
45-49	967	403	9	10	5,442	6,991
50-54	1,141	362	10	10	5,938	6,688
55-59	854	273	12	14	6,911	9,175
60-	359	133	14	18	7,573	11,581
Total	5,447	2,178	10	10	5,852	6,884

Allowance for care of close relatives 1999. Out of a total of around SEK 47 million in allowances for care of close relatives in 1999, 68 per cent went to women and 32 per cent to men.

Car allowance

The car allowance is provided to help people with permanent functional disabilities who are not easily able to get around without the aid of a motor vehicle of their own.

Granted car allowances. Car allowances were introduced in October 1988, and the majority were granted when the benefit was new. Since it is possible to get a new car allowance every seventh year, there was a new peak in 1996. Somewhat fewer women than men have received this benefit. The means-tested acquisition allowance for the purchase of a car is mainly paid to women. On the other hand, costs for adapting cars have been higher for men.



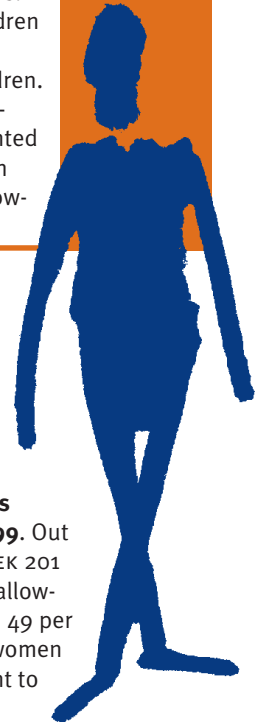
Car allowances may be granted every seventh year for purchasing or adapting a car, motorcycle or moped. Five groups are entitled to car allowances:

- Handicapped people under 65 who are dependent on a motor vehicle in their work or for occupational rehabilitation/training.
- Handicapped people under 65 who have been granted car allowances according to the above regulations, but who have later received a

permanent or temporary disability pension.

- Other handicapped people between the ages of 18 and 49 who can drive the vehicle themselves.
 - Handicapped parents with children under 18.
 - Parents with handicapped children.
- Since 1 July 1995, functionally disabled people who have been granted car allowances may, under certain circumstances, be granted an allowance for driving lessons.

Regulations

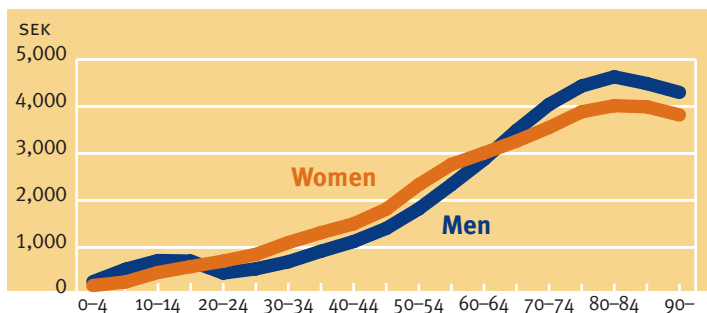


Age	Number of recipients		Average amount, SEK	
	Women	Men	Women	Men
0-15	222	247	52,840	61,043
16-19	39	44	91,223	108,417
20-24	39	36	113,219	126,044
25-29	52	63	126,509	169,605
30-34	81	84	115,975	117,599
35-39	85	90	122,389	106,002
40-44	106	107	116,139	96,257
45-49	158	128	102,990	99,924
50-54	115	103	94,583	112,311
55-59	90	95	91,893	90,746
60-	53	60	97,051	114,946
Total	1,040	1,057	95,148	99,020

Car allowances granted in 1999. Out of a total of SEK 201 million in car allowances in 1999, 49 per cent went to women and 51 per cent to men.

Medicine

Subsidizing the cost of prescription drugs for all patients helps promote a high standard of public health regardless of individual incomes, and guarantees that medicine is readily available.



Source: Apoteket AB, Swedish Pharmaceutical Statistics 1999

Sales of prescription drugs – value per inhabitant in 1999. Women have higher medicinal costs than men during their working lives, while men have higher medicinal costs than

women after retirement. This may partly be due to the fact that costlier medicine is more often prescribed to men than women among higher age groups.

Regulations

The system protecting against high costs for the purchase of drugs stipulates an upper limit of SEK 1,300 for a twelve-month period. Up to this limit, the patient pays.

- the entire cost of the drugs up to SEK 900

- 50 per cent of the cost between SEK 900 and SEK 1,700
 - 25 per cent of the cost between SEK 1,700 and 3,300
 - 10 per cent of the cost between SEK 3,300 and 4,300.
- No drugs are completely free of charge.

Age	Number of prescription drugs sold, thousands		Average amount per inhabitant, SEK	
	Women	Men	Women	Men
0-10	938	1,117	230	419
11-19	1,041	729	523	714
20-29	2,175	926	783	500
30-39	2,967	1,695	1,204	802
40-49	3,866	2,396	1,656	1,262
50-59	6,291	3,874	2,530	2,055
60-69	5,664	4,238	3,127	3,153
70-79	8,605	5,866	3,718	4,227
80-89	10,090	4,537	4,005	4,580
90+	3,503	940	3,818	4,297
Total	45,140	26,318	1,774	1,530

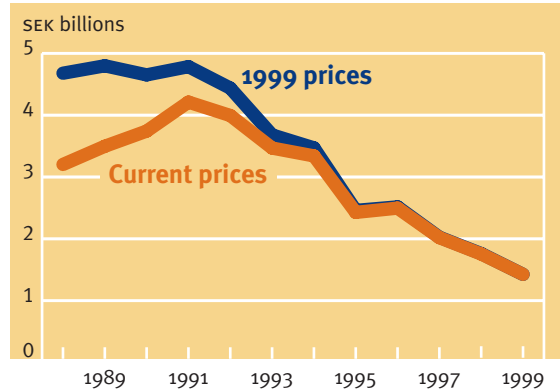
Source: Apoteket AB, Swedish Pharmaceutical Statistics 1999

Sales of prescription drugs in 1999. In 1999, the insurance scheme's expenditure for drugs was SEK 14.6 billion, of which 54 per cent was for drugs prescribed to women and 46 per cent was for drugs prescribed to men.

Dental care

Dental care insurance is designed to promote a high level of dental health regardless of individual incomes.

Amount paid for dental care. The total costs of the dental care insurance scheme have decreased since 1992. Compensation regulations have been progressively changed, so that patients have had to pay an ever larger share.



On 1 January 1999, the dental insurance scheme was given a new orientation. It was divided up into basic dental care and additional dental care. As before, dental care for children under 20 is free of charge.

All adults receive financial support for everyday health-promoting dental care, i.e. basic

dental care. This includes preventive measures, fillings, root treatment and suchlike. A fixed price is paid for basic dental care for a period of two years, regardless of the number of treatments.

For additional dental care, there are special compensation regulations. For crowns, braces, and suchlike, as well as for orthodontic treatment, there is a system protecting patients incurring high treatment costs.

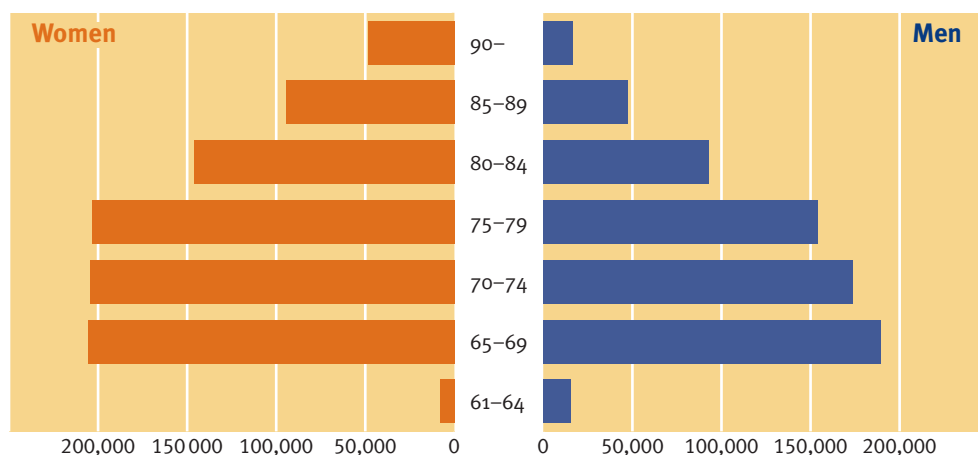
Regulations



Financial security in old age

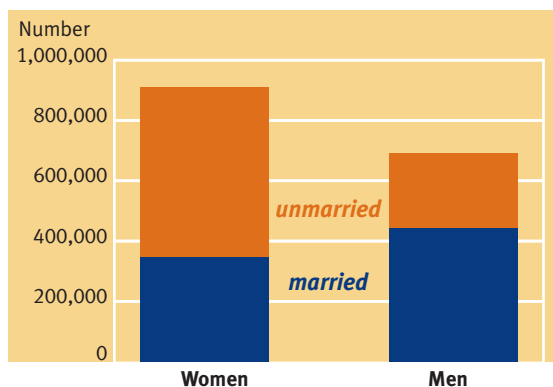
Old-age pension

The aim of the old-age pension reform is to create a system in harmony with national economic and demographic developments. This will mean changes to the old-age pension scheme, but at present payments are still made according to the old scheme.



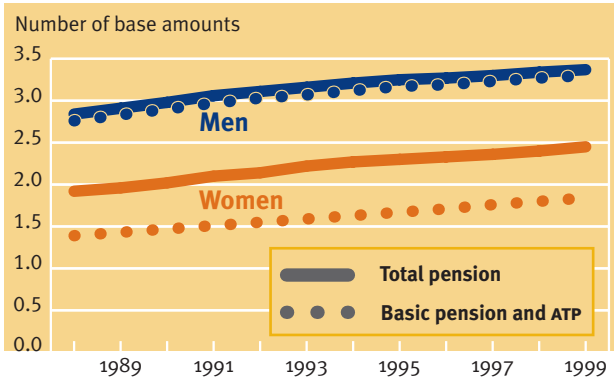
Old-age pensioners in 1999. There are far more women among old-age pensioners than men. The fact that women as a group live longer than men is clearly illustrated in the

diagram. Only among those pensioners who have retired early are there more men than women, i.e. in the age group 61-64.



Old-age pensioners in 1999. Many older women live alone. The main reason for this is that women on average live roughly five years longer than men, as well as the fact that today's generation of women pensioners tended to marry men who were a few years older than themselves. Taken together, these factors mean that the wife generally outlives her husband.

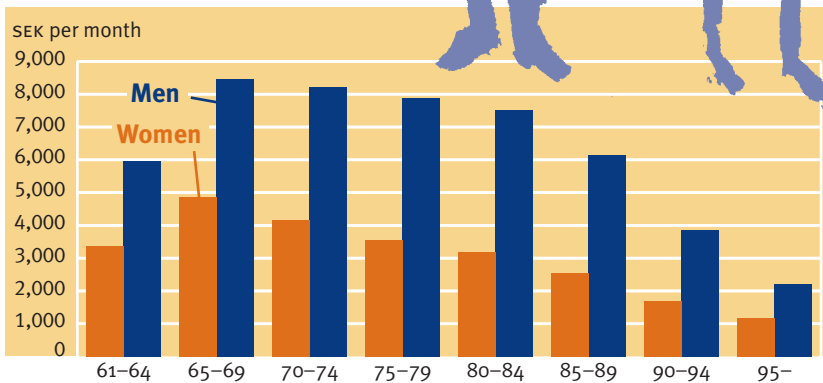
Persons who are married or are permanently cohabiting, or who have/have had children together, are reported as married. Others are reported as unmarried.



Full pension includes, besides basic pension and supplementary pension (ATP), pension supplement, handicap allowance, housing supplement and survivor's pension.

Average old-age pension in December 1999.

Among old-age pensioners, men's pension entitlements (basic pension and ATP) are on average almost double those of women. More men receive ATP and men's ATP is on average higher, reflecting among other things the difference in earlier working patterns between the sexes. The generally lower ATP for women is partly compensated by the fact that they more often receive a share of the overall basic level, mainly pension supplements and housing supplements.



Average ATP amount per old-age pensioner with ATP. Many of the older women among old-age pensioners have never been professionally active but have done unpaid work in the home instead. Among women who

have recently retired, however, a greater number have their own ATP pensions, but they have generally had shorter working careers and lower incomes than their male counterparts in the corresponding age group.

Regulations

Old-age pension is normally paid as of the month in which the person turns 65. It is however possible to opt for early retirement from the age of 61 at the earliest, or to postpone retirement up to the age of 70 at the latest.

Old-age pension is payable at 100 per cent, 75 per cent, 50 per cent or 25 per cent of the full rate. Basic pension is paid to all pensioners, regardless of earlier working income. Full old-age pension from the basic pension scheme is 96 per cent of the price base amount per year for single persons and 78.5 per cent for married persons. In 1999, this amounted to SEK 2,912 per month for single pensioners and SEK 2,381 for married pensioners per person per month.

The size of the pension from the

ATP scheme is based on previous working income (earned ATP points) and on the number of years worked. The higher the income and the greater the number of working years, the higher the pension. ATP is calculated as 60 per cent of an average of the 15 best annual incomes. To receive full pension, it is necessary to have worked at least 30 years. For persons who have worked fewer years, ATP is reduced by a thirtieth for each missing year.

For persons receiving a low ATP or none at all, there are pension supplements and housing supplements. As of June 1999, full pension supplements to old-age pensioners comprised 56.9 per cent of the price base amount, i.e. SEK 1,726 per month.

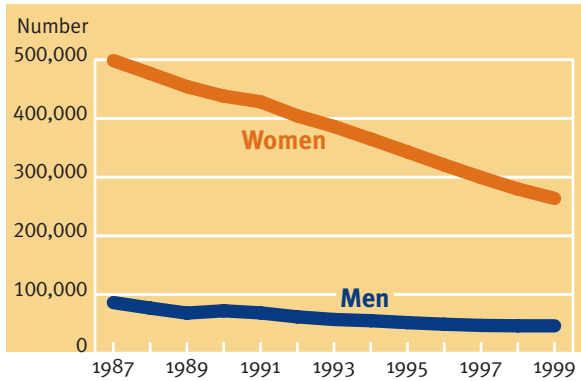
Age	Number of recipients		Average amount ¹ per month, SEK		Average amount ² ATP per month, SEK	
	Women	Men	Women	Men	Women	Men
61-64	7,932	15,169	4,614	7,181	3,385	5,976
65-69	205,662	189,609	7,093	10,629	4,869	8,476
70-74	204,410	173,561	6,390	10,469	4,159	8,228
75-79	203,313	153,871	5,728	10,192	3,544	7,885
80-	289,038	157,209	4,901	9,108	2,821	6,702
Total	910,355	689,419	5,913	10,069	3,877	7,826

¹ The average amount includes basic pension, pension supplement and personal ATP.
² Per ATP pensioner.

Old-age pension in December 1999. In 1999, approximately SEK 155 billion was paid to old-age pensioners, around 46 per cent to women and 54 per cent to men.

SEK 93 billion of the total amount consisted of ATP. Women comprised 51

per cent of ATP pensioners with old-age pensions, but only 34 per cent of the amount was paid to women. Men comprised 49 per cent of the pensioners and received 66 per cent of the amount.



Old-age pensioners with pension supplement. It is becoming more common for women pensioners to have earned their own ATP pension. Consequently, the number requiring

pension supplements is decreasing. However, many more women than men still have low ATP or none at all, and therefore receive pension supplements.



Age	Pension supplement Number of recipients		Housing supplement Number of recipients	
	Women	Men	Women	Men
60–64	2,178	1,460	.	.
65–69	36,990	11,524	29,584	11,144
70–74	48,220	10,199	41,952	12,337
75–79	57,010	9,036	62,714	14,219
80–	119,399	14,518	159,366	29,925
Total	263,797	46,737	293,616	67,625

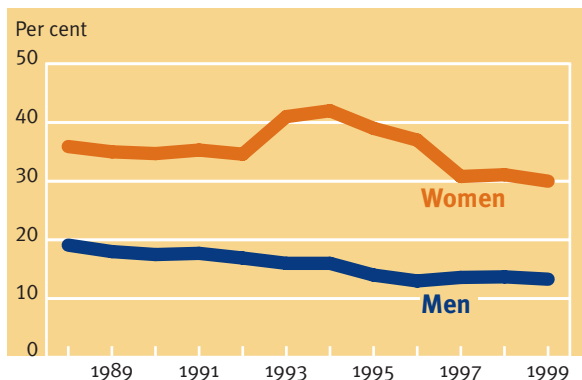
Pension supplements and housing supplements for old-age pensioners in December 1999. In 1999, pension supplements amounted to approximately SEK 4.1 billion, of which 88 per cent went to women and 12 per cent

went to men.

Around SEK 7 billion in housing supplements was paid to old-age pensioners, of which 86 per cent went to women and 14 per cent to men.

Housing supplement for pensioners

The housing supplement ensures that pensioners with a low ATP or none at all can live in high-quality accommodation without sacrificing their standard of living in other ways.



Proportion of pensioners with housing supplement. Women have lower pensions than men on average, and

generally have lower financial means. The proportion of women with housing supplements is double that of men.

Regulations

The housing supplement consists of

- the housing supplement for pensioners (BTP)
- the special housing supplement for pensioners (SBTP)
- the municipal additional amount (KKB).

BTP may be granted to persons with old-age pensions, permanent or temporary disability pensions, adjustment pensions, extended adjustment pensions, special survivor's pensions, widows' pensions, wives' supplements or EU pensions. BTP is not granted to those retiring before the age of 65 (early withdrawal).

The size of the housing supplement depends on the cost of the accommodation and the income and assets of the individual. In 1999, the maximum BTP was 90 per cent of accommodation costs in the range of SEK 100–4,000 per month, giving a

maximum of SEK 3,600. BTP is a tax-free form of support which the individual must apply for.

The special housing supplement for pensioners (SBTP) is a form of support designed to guarantee individual pensioners a reasonable standard of living, corresponding in principle to a standardized economic minimum level and costs for adequate accommodation. To qualify for SBTP, a person must already have been granted BTP. Moreover, the person's income after deductions for reasonable housing costs must fall below a certain fixed minimum level. The supplement is paid in the form of a supplementary amount bringing the income level up to the minimum income level.

The municipalities are empowered, for a limited period of years, to pay a **municipal additional amount (KKB)** in addition to BTP.

Age	Number of recipients		Average amount ¹ per month, SEK	
	Women	Men	Women	Men
16-19	485	643	1,625	1,559
20-29	3,955	4,485	2,241	2,195
30-39	8,042	8,073	2,040	2,112
40-49	14,143	12,613	1,855	1,923
50-59	22,802	15,331	1,869	1,765
60-69	43,873	18,881	1,584	1,466
70-79	104,736	26,580	1,569	1,159
80-89	124,188	22,040	1,832	1,154
90-	35,253	7,904	2,086	1,514
Total	357,477	116,550	1,762	1,502

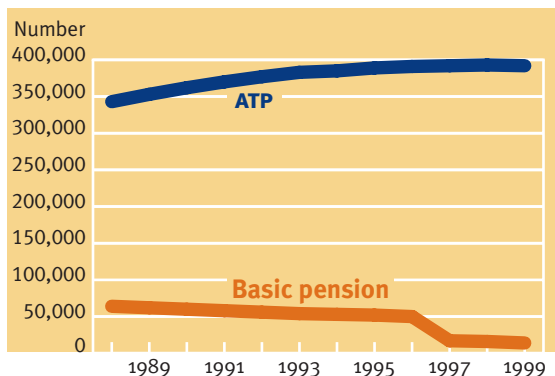
¹ The average amount includes BTP, SBTP and KKB.

Housing supplements in 1999. In 1999, almost SEK 10 billion in housing supplement was paid to pensioners. Around 78 per cent of this was paid to women and 22 per cent to men.



Survivor's pension for adults

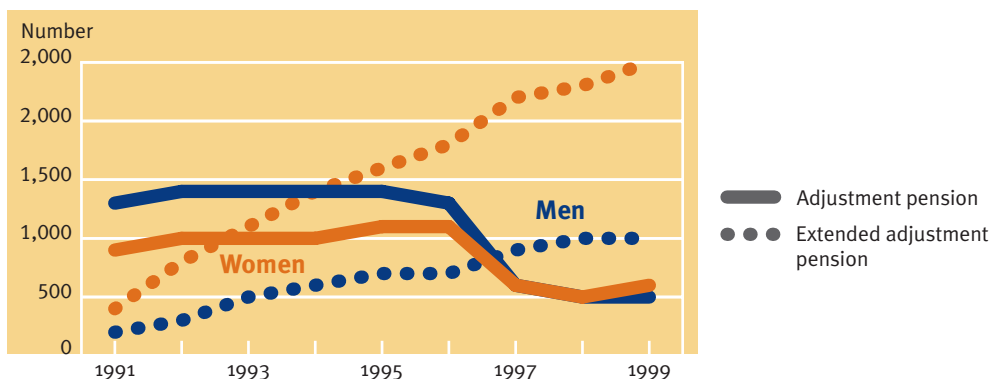
The survivor's pension provides financial security for persons whose closest relatives have died.



Women with widows' pensions. The widows' pension was abolished in 1990 but transitional regulations have meant that the number of women receiving widows' pensions from the ATP scheme has nevertheless increased. On the other hand, the number of women with basic pensions who receive widows' pensions is decreasing. This is because the basic pension part of the widows' pension is lost when



the widow herself becomes a pensioner, and the right to widows' pension in the form of basic pension has been means-tested since 1 April 1997.



Adjustment pensions and extended adjustment pensions. The period for which an adjustment pension can be received was reduced from one year to six months in 1997, which led to the number of persons receiving the bene-

fit at any one time being halved. At the same time, there was an increase in the number of persons receiving extended adjustment pensions. More than twice as many women as men receive extended adjustment pensions.

Regulations

The survivor's pension for adults includes

- the adjustment pension
- the extended adjustment pension
- the special survivor's pension
- the widows' pension

The surviving spouse (or equivalent) may receive an **adjustment pension** if he/she is younger than 65 and

- was permanently cohabiting at the time of the death with children under 12, or
- had cohabited continuously with the deceased for a period of at least five years prior to the time of the death.

The adjustment pension is payable for six months and its size is based on the deceased person's right to basic and supplementary pension. The adjustment pension can be received concurrently with a person's own pension.

If the survivor has custody of children under twelve, he/she receives an **extended adjustment pension** until the child has turned twelve. The right to extended

adjustment pension ceases to apply if the survivor remarries.

If the survivor has a reduced capacity to earn a living, he/she may receive a **special survivor's pension**. Special survivor's pensions are coordinated with several other benefits.

Women whose husbands died before 1990 receive a **widows' pension** instead of an adjustment pension. The right to a widows' pension ceases if the woman remarries. Widows of men who died in 1990 or later may receive a widows' pension in accordance with the transitional regulations.

A widow may receive a widows' pension after the death of her husband in the form of a basic pension and/or ATP. The widows' pension from ATP is normally 40 per cent of what the deceased husband would have received in the form of old-age pension from ATP if he had been alive.

For those with a low ATP or none at all, there is a pension supplement, which for survivors, as of June 1999, is maximum 62.9 per cent of the price base amount, i.e. SEK 1,908 per month.

Age	Number of recipients		Average amount ¹ per month, SEK	
	Women	Men	Women	Men
20–34	47	13	4,557	4,536
35–39	51	14	4,696	4,834
40–44	76	30	4,743	4,567
45–49	118	62	5,447	5,012
50–54	284	89	5,969	5,078
55–59	31	155	3,966	5,327
60–64	33	186	4,850	4,961
Total	640	549	5,367	5,054

¹ The average amount includes basic pension, ATP and pension supplement.

Adjustment pensions in December 1999. Out of a total of SEK 94 million in adjustment pensions in 1999, around 55 per cent went to women and 45 per cent to men.





Age	Number of recipients		Average amount ¹ per month, SEK	
	Women	Men	Women	Men
-29	126	15	4,360	4,448
30-34	431	109	4,472	4,587
35-39	651	229	4,501	4,494
40-44	688	264	4,442	4,521
45-49	460	222	4,496	4,510
50-54	119	141	4,386	4,510
55-59		40		4,357
60-64		11		3,979
Total	2,475	1,031	4,466	4,505

¹ The average amount includes basic pension, ATP and pension supplement.

Extended adjustment pensions in December 1999. Out of a total of SEK 182 million in extended adjustment pensions in 1999, 71 per cent went to

women and 29 per cent to men.

In December 1999, special survivor's pensions were paid to 66 women and 16 men.

Age	Number of Recipients	Average amount ¹ per month, SEK
	Women	Women
-29	6	2,027
30-39	516	2,208
40-49	5,225	2,364
50-59	23,686	3,404
60-64	22,807	3,700
65-69	34,466	2,903
70-74	57,138	3,096
75-79	83,739	2,879
80-89	138,638	2,210
90-	28,040	1,212
Total	394,261	2 630

¹ The average amount includes basic pension, ATP and pension supplement.

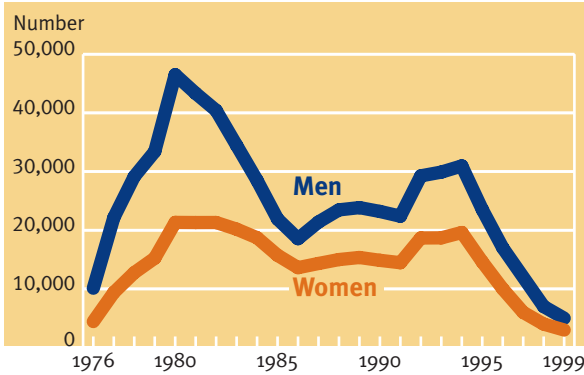
Widows' pensions in December 1999. The majority of women receiving widows' pensions are themselves old-age pensioners, but roughly 13 per cent are still of working age. In 1999, roughly four out of ten old-age women

pensioners also received widows' pension.

Out of a total of SEK 12,4 billion in widows' pensions in 1999, around 83 per cent went to widows who were 65 or older.

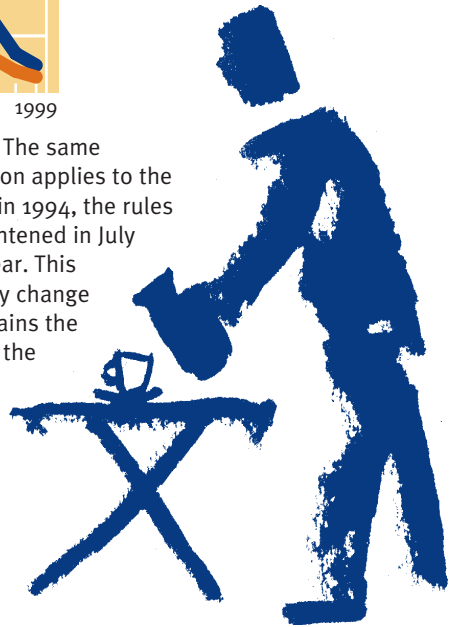
Partial pension

Gainfully employed persons who wish to reduce their working hours a few years before retirement may receive a partial pension. However, applications must have been received before the end of 2000.



The development of the partial pension. A maximum total of between 60,000 and 70,000 persons have chosen to take out partial pensions, i.e. roughly a quarter of those qualifying. At the beginning and end of the period during which it was possible to receive a partial pension, the proportion lay significantly below ten per cent. Women have always been in a minority. The increase in 1992 can be explained by the fact that many people applied for partial pensions on the eve of an imminent tightening of the rules (which, however, was never imple-

mented). The same explanation applies to the increase in 1994, the rules being tightened in July of that year. This regulatory change also explains the decrease the following year.



Gainfully employed in the age group 61–64 who wish to reduce their working hours may receive partial pensions. The partial pension is 55 per cent of the difference between before and after the reduction in working hours. After the reduction in working hours, persons with partial pensions are obliged to work

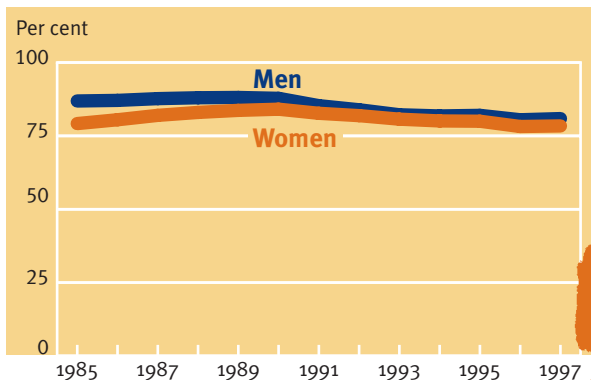
between 17 and 35 hours a week on average. It is possible to receive compensation for a reduction in working hours up to a maximum of 10 hours per week.

After 2000 it is no longer possible to apply for a partial pension. The partial pension will thus have been discontinued by 2005.

Regulations

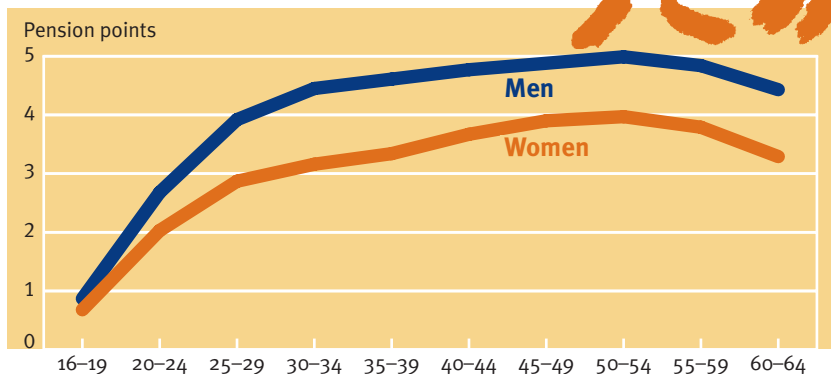
Out of a total of around SEK 300 billion in partial pensions in 1999, around one third went to women and two thirds to men.

ATP points earned



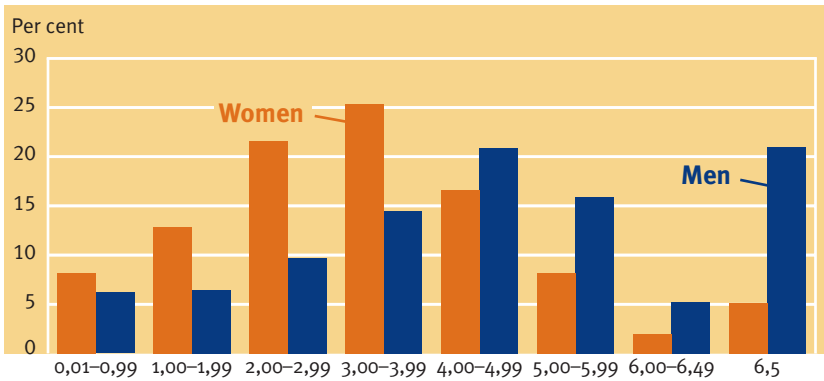
Proportion of people of active age who have earned pension points. Since the beginning of the nineties, approximately as many women as men – eight out of ten – earn pension points. The total proportion has fallen during the nineties, due partly to more people being unemployed without compensation than before, while many have

been studying. Young people represent the largest group among those not earning ATP points.



Average number of pension points earned by people of active age in 1997. Among both women and men, the average number of pension points earned increases with advancing age and is highest among the 45-54 age group. In more advanced age groups, the average number of points falls, because many start to cut down their working hours for a variety of reasons. Salary development also often stagnates as retirement approaches. Long-term sick leave, part-time early

retirement and partial retirement further reduce income levels among older groups. At all ages, women's incomes are less than those of men. The most important reasons for this are that women earn less than men in most jobs, that professions in which women dominate often have lower salary levels, and that many women take part-time work. The income difference between the sexes is greatest in the child-bearing and care-providing ages of 25-39.



People of active age who earned pension points 1997. This figure clearly reveals the income difference between the sexes. 68 per cent of

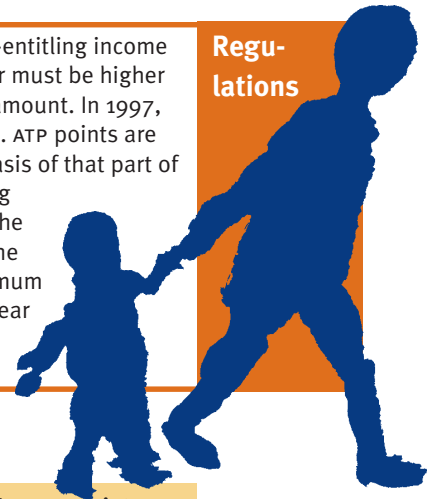
women earned pension points below 4.0 while 63 per cent of men earned pension points above 4.0.

Up to 1998, persons of active age earning incomes from gainful employment or receiving compensation for lost income (sickness benefit, unemployment benefit, parental allowance, etc) earned pension rights in the form of pension points. This also applied to persons with permanent disability pensions or those taking out early retirement.

In order for a person to earn ATP

points, the pension-entitling income (PGI) during the year must be higher than a raised base amount. In 1997, this was SEK 37,000. ATP points are calculated on the basis of that part of the pension-entitling income which is in the interval 1.0–7.5 of the base amount. Maximum ATP points for one year are thus 6.5 (7.5 minus 1.0).

Regulations

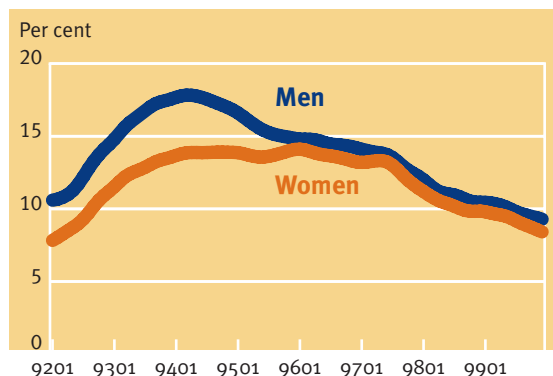


Age	Number with points		Proportion of all people, per cent		Average points	
	Women	Men	Women	Men	Women	Men
16–19	12,900	15,900	6.6	7.9	0.68	0.87
20–24	156,100	173,900	60.0	61.9	2.03	2.68
25–29	244,700	261,900	81.8	85.3	2.87	3.92
30–34	277,300	302,900	87.4	89.4	3.16	4.45
35–39	243,500	267,700	88.3	90.1	3.34	4.61
40–44	251,700	266,800	91.3	91.8	3.67	4.77
45–49	255,900	271,800	93.4	92.9	3.90	4.88
50–54	260,300	285,300	93.4	93.7	3.97	4.99
55–59	174,000	195,600	90.4	92.2	3.79	4.84
60–64	96,200	101,800	72.3	82.0	3.29	4.43
Active	1,972,600	2,143,700	78.4	80.9	3.37	4.43
Total	2,071,700	2,215,300	75.0	77.4	3.31	4.39

ATP points earned by people of active age in 1997.

Unemployment insurance

Unemployment insurance is an active and integrated part of labour market policy, in which the employment strategy is the main alternative and cash allowances are a last-resort measure for people between jobs.

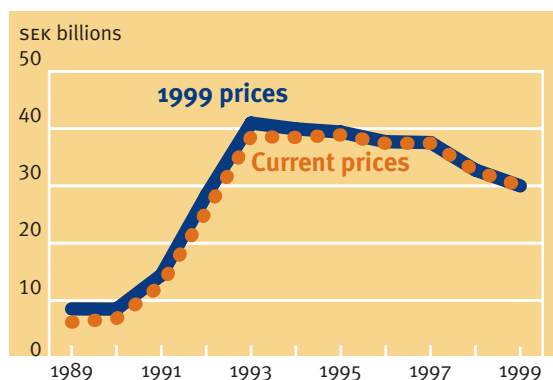


Proportion of officially unemployed persons and participants in labour market programs.

Source: AMS (The Swedish National Labour Market Board), Statistics Sweden

Proportion of officially unemployed persons and participants in labour market programs. 1999 was a year of marked improvement for the Swedish economy and labour market. The most important event was a significant increase in private consumption, generating in turn a greatly increased

demand for labour within the private sector and among smaller industrial companies focused on the domestic market. In the public sector, too, new job opportunities were created, mainly within the care and educational sectors, as a result of the improved economic situation of the municipalities. With the effects of the Asian crisis wearing off as the year progressed, prospects for the export industry also improved, with the result that industrial employment ceased to fall. As an added bonus, the lingering depression in the construction industry came to an end and the industry entered a distinct recovery phase. The overall result of these developments was a substantial increase in employment. Unemployment figures and the numbers of those participating in employment programs fell to their lowest level since the beginning of the nineties.



Source: AMS (The Swedish National Labour Market Board)

Unemployment benefit payments from the unemployment benefit fund (A-kassa) and cash unemployment allowance (KAS). Unemployment benefit payments rose sharply at the beginning of the nineties in step with rising unemployment, and peaked in 1993 at around SEK 40 billion.

The regulations for unemployment benefit and cash unemployment allowance have changed over time.

Regulations

The unemployment insurance scheme provides partial compensation for the loss of income caused by unemployment. Since 1 January 1998, unemployment insurance consists of two parts, basic insurance and voluntary income-related insurance.

Basic insurance replaces the earlier cash unemployment allowance (KAS), which was discontinued after 1997. The basic amount is SEK 240 per day for those who have had full-time employment. The basic amount is paid to those fulfilling the work condition or the study condition (one year's

completed studies) and who are not members of an unemployment benefit fund, or if they are, have not been members for a sufficient length of time.

Compensation from the voluntary income-related insurance may be paid to persons who are members of an unemployment benefit fund and who are able to meet the work condition. The size of the daily cash allowance depends on the income the person had before becoming unemployed. The daily cash allowance is 80 per cent of the previous income up to a maximum of SEK 580 per day.



Age	Number of recipients		Average number of days		Average amount, SEK	
	Women	Men	Women	Men	Women	Men
-19	70	120	40	50	14,544	22,132
20-24	44,431	42,217	52	59	18,574	22,819
25-29	79,034	55,303	62	74	28,351	36,331
30-34	72,197	49,741	70	84	34,263	43,808
35-39	56,671	43,038	73	89	35,653	46,658
40-44	42,614	35,201	75	94	36,416	48,975
45-49	35,488	30,500	79	99	38,332	51,980
50-54	33,777	29,996	85	103	41,576	55,129
55-59	26,777	25,311	102	120	49,280	64,333
60-64	19,323	20,389	138	147	57,392	78,592
Total	410,382	331,816	78	92	35,438	47,076

Source: AMS (The Swedish National Labour Market Board)

Compensation from the unemployment insurance scheme in 1999. Out of a total of SEK 30 billion in unemployment benefits in 1999, 48 per cent went to women and 52 per cent to men.



More statistics

Additional statistical details are available on the Swedish National Social Insurance Board's home page (address: www.rfv.se/statistik) and in the publication Social Insurance, which is part of the series known as Sweden's Official Statistics.

You may also address questions about statistics directly to the Swedish National Social Insurance Board by contacting the following people:

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Social insurance in Sweden 2000

The Swedish social insurance administration is a natural part of virtually every citizen's life. It is of considerable importance, not only in terms of people's security and welfare, but also in terms of the national economy, with a current total expenditure per annum of approximately SEK 340 billion.

The National Social Insurance Board continues with this book the recurring publication *Social Insurance in Sweden*, designed both to discuss and to provide an overall account of important and topical issues relating to social insurance in Sweden.

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