

TABLE 2.—Example of monthly dependency and indemnity compensation payable to parents of deceased veterans or servicemen at \$100 increments under previous law and new law

Annual income not more than—	One parent <sup>1</sup>		Two parents not together <sup>1</sup>		Two parents together (each) <sup>1</sup>	
	Previous law <sup>2</sup>	New law <sup>3</sup>	Previous law <sup>2</sup>	New law <sup>3</sup>	Previous law <sup>2</sup>	New law <sup>3</sup>
\$800.....	\$100	\$110	\$70	\$77	\$67	\$74
900.....	97	107	68	75	67	74
1,000.....	94	104	66	73	67	74
1,100.....	91	101	64	71	66	73
1,200.....	88	97	61	68	65	72
1,300.....	84	93	58	65	64	70
1,400.....	80	89	55	62	62	68
1,500.....	76	85	52	58	60	66
1,600.....	72	80	49	54	58	64
1,700.....	67	75	46	50	56	62
1,800.....	62	69	42	46	54	60
1,900.....	57	63	38	42	52	58
2,000.....	51	57	34	38	50	56
2,100.....	45	60	30	34	48	54
2,200.....	38	43	26	30	47	52
2,300.....	31	36	22	26	44	50
2,400.....	24	28	18	21	42	48
2,500.....	17	20	14	16	40	46
2,600.....	10	12	10	11	38	44
2,700.....					36	42
2,800.....					34	40
2,900.....					32	38
3,000.....					30	36
3,100.....					28	32
3,200.....					26	29
3,300.....					24	26
3,400.....					22	23
3,500.....					19	20
3,600.....					16	17
3,700.....					13	14
3,800.....					10	11

<sup>1</sup> Payment increased by \$55 per month when parent is a patient in a nursing home or so disabled as to require the regular aid and attendance of another person.

<sup>2</sup> Public Law 92-197, effective Jan 1, 1972

<sup>3</sup> Public Law 93-177, effective Jan 1, 1974.

suffer a reduction in his pension to \$30 a month after a hospital stay of 2 full months. This law raises that amount to \$50. Another change permits a disability claim to be retroactive for a period of up to a year. Previously, the date of application was the effective date.

## Social Security Abroad

### Swedish Unemployment Program\*

Two important developments in the Swedish unemployment program, legislated in 1973, became effective January 1, 1974. One affects unemployment insurance (covering 6 of every 10 per-

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sons in the labor force, with compulsory membership for union members, voluntary membership for nonunion employees) and calls for a substantial increase in benefits as well as a doubling in the number of days of protection extended to the average worker.

The other introduces a new type of unemployment program—the “labor-market support program”—for those for whom membership in the unemployment funds is not available. The most interesting aspect of this program is that it covers all workers aged 16 and over who enter the labor market for the first time, regardless of lack of earlier experience, as well as persons unsuccessful in reentering the labor market after a lengthy layoff—some housewives, for example. Also covered are those for whom benefit rights with the funds have expired.

For the first time employers have been brought into the picture as participants in the financing of the unemployment program. Benefits, while considerably higher, are now taxable as income and consequently will be included in the computation of the earnings-related supplementary pension.

Sickness benefits and work injury benefits became taxable as income in 1974, along with unemployment benefits. Concurrently, benefit levels in these programs were increased to 90 percent of regular earnings for the average earner. Unemployment benefits thereby approximately doubled. It was neither practical nor equitable any longer for each program to have different support levels: the basic need for benefits remained the same, regardless of the nature of an individual's incapacity.

### Unemployment Program in Perspective

The association of unemployment funds with trade unions predates Sweden's initial unemployment legislation, which became effective at the beginning of 1935.<sup>1</sup> Voluntarily established unemployment funds already existed within trade un-

<sup>1</sup> Thirty of the 50 funds reported as operating in 1970 belonged to unions within the Swedish Confederation of Trade Unions, 11 to unions within the Central Organization of Salaried Employees, and 4 to associations of self-employed persons. Four funds were operating within other employee organizations, and one was operated by a union within the Swedish Confederation of Professional Associations.

ions at that time and this attachment has since been maintained.

Immediately before the 1973 reform, unemployment insurance beneficiaries were paid daily allowances (covering 5 days a week) that ranged from 18 kronor to 60 kronor,<sup>2</sup> according to 12 benefit classes. Each fund's benefits were based on the established benefit classes that most closely reflected the prevailing pay scale in that industry. Benefits in most cases were payable for a maximum of 150 working days during the insurance year (September 1-August 31), with some funds extending this maximum to 200 days. During periods of extended unemployment, benefits were payable for an additional 300 days for those aged 60-66 or for those aged 55-59 who were unemployed because of structural changes in the economy.

The 48 unemployment funds reported as operating in 1971 had 2.3 million members, representing about 59 percent of a total labor force of close to 3.9 million.<sup>3</sup> A primary objective of the new legislation was to provide coverage for unemployment benefits for the 41 percent of the labor force who had none. Another goal was to "modernize" the coverage of fund members by increasing the benefits and extending the period covered.

### Previously Uninsured

The most significant aspect of the expanded Swedish unemployment program is the coverage it provides for those aged 16 and over who are seeking employment for the first time, and for individuals reentering the labor market after a considerable absence. This provision will prove particularly beneficial to those getting out of school or finishing training programs, many of whom currently experience difficulties in obtaining suitable employment. Mothers who decide to return to work after having left the labor force to raise a family will also have this coverage. Both groups may become eligible for benefits

after a 3-month period of unemployment during which they are actively jobhunting.<sup>4</sup>

Sweden is one of only a few countries providing unemployment benefits to those with no work experience.<sup>5</sup> Usually, in countries with such coverage, a period of unemployment is required during which the individual has registered for work or tried to find work. (Australia, Belgium, and New Zealand, for example). In Denmark, after a period of unemployment, young persons aged 18 and over may become part of a youth employment project and thus be assured of some income. (A substantial number of participants is apparently required to make these programs operable.) Persons who complete a training program and still cannot find work are, on the other hand, eligible for unemployment benefits immediately. In West Germany, 10 weeks of remunerated employment is usually a prerequisite for unemployment benefits, but the completion of vocational schooling or a college education may be considered the equivalent.

In Sweden, the new program extends coverage to a considerable number of youths who previously had none. Their plight had become increasingly apparent during the past 2 or 3 years. It is usual for those under age 25 to have a higher unemployment rate than older groups. Yet, when the overall unemployment picture had improved somewhat after peaking in 1971 and 1972, this younger group showed a slower decline in its unemployment rate than the others did.<sup>6</sup>

The new program also extends protection against the risk of unemployment to those who had not joined an unemployment fund or for whom unemployment insurance with a fund had expired. The benefit, a basic daily allowance of 35 kronor, is available to those who were full-time employees or to those without work experience who are now looking for full-time work. Part-time employees working at least 17 hours per week, or those looking for part-time work, may obtain benefits at half that rate.

<sup>4</sup> Information provided by the U.S. Embassy in Stockholm.

<sup>5</sup> About 10-12 Western countries have unemployment provisions for the young, but previous employment is often a prerequisite for benefits. See Max Horlick, "Social Security Provisions for Young Adults in Industrialized Countries," *Social Security Bulletin*, November 1971.

<sup>6</sup> *Arbetsgivaren*, October 11, 1973.

<sup>2</sup> One U.S. dollar equaled 4.74 kronor, as of January 9, 1974.

<sup>3</sup> Membership data were obtained from *Social Försäkring*, No. 3, 1972, page 24; the labor-force figures are from *Allmän Månadsstatistik*, No. 7, 1973.

## Previously Insured

The improvements in the existing unemployment funds feature benefits more than twice as high as they had been, as well as a doubling of the maximum number of days covered for most persons. Instead of the former 12 benefit classes with daily benefit payments of 18–60 kronor, there are 10 classes with rates from 40 kronor to 130 kronor a day, limited to eleven-twelfths of the recipient's former earnings.

The reduction in benefit classes and the larger spread between maximum and minimum benefits provide the funds with a more realistic choice for determining benefit levels—a much needed improvement. Benefits had become so low in relation to income that most funds were clustered near the top of the benefit scale, and the choice of level in income classes was almost meaningless. As early as January 1, 1972, for example, more than half of all the members were insured at the top rate of 60 kronor per day, the 50 kronor and 55 kronor classes together accounted for one-third, and only one-sixth were in the remaining classes.<sup>7</sup>

The maximum number of days covered by unemployment insurance has been doubled, going from 150 days to 300 days. For those aged 55–66, coverage is extended to 450 days—not limited, as in the old law, to periods of extended unemployment or to unemployment caused by structural changes in the economy. Once the insured person reaches age 67 and becomes eligible for an old-age pension he is no longer eligible for unemployment benefits.

Several regulations regarding eligibility were not affected by the reform, however. The 5-day waiting period before benefits become payable, applicable to each period of unemployment, has been retained, for example, as has the age 15 minimum for joining a fund. Twelve months' membership in the fund is still required for benefit eligibility, with at least 5 months' employment during the 12 months immediately preceding the layoff. For the self-employed, 24 months are required. Continuity has thus been assured in the unemployment program. Under one change, however, 2 months of the 5 months' employment

<sup>7</sup> *Social Försäkring*, op. cit. The benefit classes of 55 kronor and 60 kronor were introduced as recently as September 1, 1971.

may now be accounted for by time spent in a labor-market retraining program,<sup>8</sup> by military service completed as draftee, or by time spent at home in connection with child birth.<sup>9</sup>

## Limitations of Labor-Market Support Program

The 35-kronor-a-day unemployment benefit is subject to an income test and a means test. The income test is based on the spouse's income. For the means test, the combined personal resources<sup>10</sup> of the beneficiary and his or her spouse are counted. On closer examination, neither test appears to be severe.

Under the new regulations, the unemployment benefit is reduced 1 krona for every 1,000 that the spouse's yearly income exceeds 23,000 kronor, with a minimum 10 kronor a day payable on incomes above 47,000 kronor. Since the man in the house in most instances is the main provider, the size of his unemployment allowance would take into account his wife's income. In 1970, more than 80 percent of all employed married women earned less than 20,000 kronor per year.<sup>11</sup> The husband's benefits would therefore not be affected in most cases, even after allowing for a reasonable increase in women's incomes since that date.

The means test provides for a benefit reduction on a monthly basis by an amount equivalent to 1 percent of the combined personal resources of both spouses above 150,000 kronor. Indications are that this test will also have little effect on the benefit. There were 1.9 million employed married

<sup>8</sup> These Government-sponsored programs provide individuals with training in skills that are more salable in the labor market. Participants are paid an average monthly support wage of 900 kronor. In one survey, conducted 3 months after the program's conclusion, 70 percent of the trainees had obtained employment.

<sup>9</sup> See Martin B. Tracy, "Sweden: Cash Maternity Benefits for Fathers," *Social Security Bulletin*, November 1973, pages 37–39.

<sup>10</sup> Net wealth for tax purposes, defined as the capital value of the taxpayer's assets minus his liabilities. Included are virtually every kind of asset located in Sweden or abroad, real or personal, tangible or intangible: stocks, bonds, other securities, real estate, cash, cars, bank accounts, etc. Exempted are household goods, books, and works of art in personal collections.

<sup>11</sup> Compiled from data in the 1972 *Statistical Abstract of Sweden* (Statistisk Årsbok, 1972). The relatively low level of earnings for women reflects considerable part-time employment.

men and 1.3 million employed married women (widowed and divorced persons excluded in both cases) in Sweden in 1969. Personal resources exceeded 150,000 kronor in only 67,000 cases, among those under age 67 who were not single. If these were all employed persons, the means test could affect no more than 3.5 percent of married male employees.

Finally, the length of time for which benefits are payable varies with the age of the recipient. For those under age 55, benefits are payable for 150 working days (30 weeks). For the group aged 55-59, the period is increased to 300 days. There is no time limit between ages 60 and 67. At age 67, the beneficiary becomes eligible for the regular old-age pension. In circumstances where unemployment was caused by structural changes in the economy (related to changes within the geographical area for the employee, within the industry for the self-employed), the benefit may be paid from age 55 without a time limit. No one under age 16 may participate in the program.

The accompanying table compares eligibility and benefit provisions under the new program and under the unemployment funds.

Comparison of basic requirements for receiving benefits from the unemployment funds and under labor-market support program

Provision	Unemployment funds	Labor-market support program
Minimum age.....	15.....	16.....
Benefit after.....	5 days.....	3 months.....
Income test.....	No.....	Yes.....
Means test.....	No.....	Yes.....
Daily benefits.....	40-130 kronor <sup>1</sup> .....	35 kronor (17 50 kronor part-time).....
Length of coverage.....	300 days (450 days at ages 55-66).....	150 days (300 days at ages 55-59, no limit from age 60).....
Membership.....	12 months <sup>2</sup> .....	Not applicable.....

<sup>1</sup> Limited to 11/12 of the recipient's former earnings

<sup>2</sup> Employed at least 5 months during the 12 months immediately preceding layoff

ranging from 35 percent to 50 percent of benefits paid during the year. The approximate cost of the labor-market support program is estimated at 400 million kronor during fiscal year 1974-75, to be financed by a 0.4-percent employer payroll tax. The cost of the total unemployment program—the regular program and the labor-market support program—for fiscal year 1974-75 has been estimated at 1.6 billion kronor.<sup>12</sup> Government expenditures will amount to 950 million kronor (about 59 percent of the total), employer contributions will amount to 400 million kronor (25 percent of the total), and member contributions to the funds are expected to reach 250 million kronor (16 percent). Expenditures by the Government for the balance of the current fiscal year (1973-74) will be about 680 million kronor. Before the reform, about one-fourth of the funds' income came from membership contributions (averaging about 45 kronor per member per year) and two-thirds from general revenue. The balance was made up by interest income on the part of the funds.

### Administration

The labor-market support program is administered by the National Labor Market Board through its local offices. The actual cash payments, however, will be made by the local social security offices. This procedure differs from that of the regular unemployment program where, under the overall supervision of the National Labor Market Board, each fund is administered within the individual industry under the management of an industry board and local branches of the funds handle both the collection of contributions and the payment of benefits, in close cooperation with local employment offices.

### Costs and Financing

With the introduction of the labor-market support program, employers for the first time participate in the financing of an unemployment program. Two-thirds of the costs will come from employer contributions and the remaining third from general revenue funds of the national Government. The Government will continue to pay its usual subsidy to the unemployment funds,

### Significance of Program

The 1973 reform strengthens the existing unemployment program and provides minimum coverage to those who do not belong to an unemployment fund. The reform was prompted by

<sup>12</sup> This amount excludes about 3.6 billion kronor to be spent by the National Labor Market Board (Arbetsmarknadsstyrelsen) for emergency relief work, retraining programs, etc.

rising unemployment—a situation that had been worsening for several years and had become particularly worrisome in the 1970's, when the average number of unemployed persons was more than 100,000. Unemployment had spread from the blue-collar workers to the white-collar workers to those recent college graduates who were unable to find suitable work after graduation. Consequently, the average period of unemployment had lengthened. This is normal for unemployment in the white-collar and professional groups, but, in this case, the net result was that unemployment funds were paying benefits in unprecedented amounts.

The proportion of white-collar workers among all registered unemployed persons has increased year by year, from 3 percent in 1961 to more than 11 percent as of July 1971.<sup>13</sup> This trend,

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<sup>13</sup> *Social Försäkring*, No. 9, 1971.

more than the actual numbers involved, has caused concern because of the group's historical resistance to unemployment. The increase is partly explained, however, by the steadily higher proportion of white-collar workers now being reflected in the unemployment statistics as they become fund members; previously their unemployment might not have been reflected in the figures.

The strengthened unemployment program complements a major effort carried on by the National Labor Market Board to attack unemployment more directly by providing work or training for those affected. An estimated 120,000 persons are taking part in these projects during the winter of 1973-74—about half in retraining programs and the other half evenly divided between relief work (roads, forestry, conservation, etc.) and sheltered employment projects.<sup>14</sup>

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<sup>14</sup> *Arbetsgäver*, October 4, 1973.