

OECD THEMATIC FOLLOW-UP REVIEW OF POLICIES TO IMPROVE LABOUR MARKET PROSPECTS FOR OLDER WORKERS

SWEDEN (*situation mid-2012*)

*In 2011, the employment rate for the population aged 50-64 in Sweden was 3 percentage points **higher than in 2005** and 16 percentage points **above the OECD average**. Further statistical information about the labour market situation for older workers in Sweden is presented in the scoreboard in Table 1.*

A major multi-country OECD review of employment policies to address ageing took place during 2003-05 and was summarised in the OECD synthesis report *Live Longer, Work Longer*, published in 2006. That report put forward an agenda for reform, consisting of three broad areas where policy action was seen as necessary to encourage work at an older age:

- strengthening financial incentives to carry on working
- tackling employment barriers on the side of employers
- improving the employability of older workers

One of the main purposes of this follow-up review is to take stock of the progress OECD countries have made in implementing this reform agenda. In the third quarter of 2011, a questionnaire was sent to all member countries, seeking information on the measures and reforms carried out since 2006. For each of the 21 countries¹ that had participated in the original review, the questionnaire was adapted to refer to the OECD's specific policy recommendations in each corresponding country report.

The main actions taken in Sweden since 2005 are described in this Note. A summary assessment of the extent to which Sweden has followed the OECD's recommendations in the report *Ageing and Employment Policies: Sweden* is given in Table 2.

¹ Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States. For further information, see www.oecd.org/els/employment/olderworkers

A. STRENGTHENING FINANCIAL INCENTIVES TO CARRY ON WORKING

A.1. OECD recommendations to Sweden in 2003 – action taken

Eligibility criteria for social insurance should be strengthened

The public pension system in Sweden was reformed in 1999; those changes have allowed flexible and actuarially neutral retirement from the age of 61. The modified rules have been introduced gradually, and special provisional stipulations apply for certain age groups. In the pension system, no early retirement from the public scheme is possible before the age of 61, although pensions can be retrieved at any point after that age. A person can withdraw a full or partial pension and continue to work full time. Unlimited deferral of retirement is made possible in the pension system, but the employer's consent is required after the age of 67. The latter is a result of negotiations with the social partners.

Nearly all (around 90%) wage and salary earners are covered by some form of occupational pension scheme. *Most occupational schemes have been recently renegotiated.* Where defined-benefit schemes previously dominated, there is now a clear trend towards defined-contribution occupational pensions, making the contribution-benefit link tighter and thus also generating incentives to work longer. In most agreements, there is still the possibility to retrieve a pension as a five-year annuity from the age of 55. This applies to both the defined-benefit and defined-contribution schemes.

In collective agreements there had been a contractual retirement age of 65, although one can now retire from the age of 60 in accordance with transitional rules. In the case of early retirement the monthly pension is reduced, as the disbursement period is longer. Early retirement pensions can only be drawn as full pensions, with an exception by agreement for local government employees. The pension, however, can be combined with work in most major agreements.

A significant number of people have incomes above the ceiling for a public pension and so additionally rely on occupational and individual pension schemes. The coverage of these schemes is still increasing; occupational pensions are assumed to be a common reason for early exits from the labour market, since in many cases the pension can be taken out as a five-year annuity instead of a lifelong annuity.

The government has recently set up a commission to investigate the aspects of the various pensionable ages in Sweden and the possibilities and barriers for prolonging working life. One of the main issues for analysis will be how occupational pensions affect older workers' exit from the labour market. The work of the commission is further described in Section B.

The decision process for disability pensions should be reviewed, and the number of recipients on long-term sickness should be reduced

Reform of the Swedish social insurance administration has led to a more uniform decision process. The National Social Insurance Agency was established in 2005, in parallel with the dismantling of the Regional Social Insurance Agencies. The social security councils were dismantled in 2008, and the social insurance boards in 2009. Regional differences have been significantly reduced.

The National Social Insurance Agency and the Public Employment Service (PES) receive common resources to improve co-ordination of rehabilitation measures (2004), and guidelines have been developed for the sickness durations for most diseases (2006).

A clear, well-defined framework for the sick-listing process is established:

- A rehabilitation chain is established with precise time limits for testing work capacity (2008).
- Sick leave compensation can be received for a maximum period of 2.5 years (2008).
- People who have been on sick leave for 2.5 years and those who have been receiving temporary sickness compensation are offered active support from the PES to help them back to work. Those who are so ill that they are unable to participate in active measures will continue receiving compensation from the sickness insurance system for more than 2.5 years (2010).

Only those who have permanent reduced work capacity can receive a disability pension. The possibilities for people on disability benefits to return to work are improved. Those awarded sickness compensation for an indefinite period before July 2008 can work or study without losing their entitlement to sickness compensation. An ill person granted sickness or activity compensation after July 2008 who wants to try working or studying can leave the compensation dormant (2008). The rehabilitation chain is supported by a rehabilitation guarantee and enhanced occupational health services (2008). New methods and instruments for work capacity assessments have been developed (2010).

The reform has led to a sharp drop in the number of people on sickness benefits, and an increasing number of people with partial capacity to work are now receiving unemployment benefits or activity allowances.

A.3. Other implemented measures unrelated to specific OECD recommendations

Sweden introduced an in-work tax credit in 2007 to increase labour supply. The in-work tax credit was larger for those older than 65, to encourage them to stay in the labour force longer. The scheme has been extended several times since 2007 for specific age groups, with the aim of increasing their labour participation. Still, the credit for those older than 65 is substantially larger than for other age groups. In 2011, the maximum credit for those younger than 65 was SEK 21 249 annually (at the average municipal tax rate) while the maximum credit for those older than 65 was SEK 30 000 annually.

B. TACKLING EMPLOYMENT BARRIERS ON THE SIDE OF EMPLOYERS

B.1. OECD recommendations to Sweden in 2003 – action taken

Employment protection legislation – especially the first-in-last-out rule – needs to be reviewed

The Employment Protection Act was changed through legislation that entered into force in 2007. Special rules formerly in place regarding the calculation of older employees' time as employed were modified. For instance, when calculating an employee's place in the queue of dismissal or when calculating that worker's right to re-employment, the worker had been allowed to count an extra month of employment for every month they were employed after the age of 45 – at most, 60 such extra months. The government deemed that these provisions could affect mobility in the labour market negatively, making it more difficult for older workers to get a job and to be discriminating against younger workers.

A more flexible temporary contract was introduced in 2007. An employer can re-employ the same worker, without needing to justify doing so, for a total period of two years within a five-year period. If the two-year threshold is passed, the contract becomes open-ended.

Bring forward legislation to meet the requirements of the EU directive on anti-age discrimination

A new act entered into force in 2009 prohibiting discrimination on the grounds of age inter alia The Discrimination Act applies to working life; educational activities; labour market policy activities and

employment services not under public contract; the hiring policies of those starting or running a business; professional recognition; and membership of certain organisations. The Equality Ombudsman is to monitor compliance with the act.

In 2011, the government appointed a commission to analyse pension-related age limits and the barriers to and possibilities for a longer working life. The commission will bring forward proposals for new measures and alternative strategies to improve the work environment and other conditions, with the aim of preventing people from leaving working life for work-related reasons. The commission will also look into preventive measures directed towards the younger workforce, targeted at counteracting risks of work-strain disorders at a later stage. The commission presented preliminary analyses in April 2012, and will prepare a final report in April 2013.

B.2. OECD recommendations to Sweden in 2003 – no action taken

Reduce the premiums for defined-benefit occupational pensions

In defined-benefit occupational pension schemes – covering, for example, white-collar workers in the private sector and employees with incomes above the social security ceiling in the state sector – the premiums paid by employers increase with age. It is of major importance that less costly and age-neutral schemes are developed. Because most of these schemes are based on the final salary of retiring workers, they could limit flexibility for older workers, especially concerning reduced working time or switching to a job with lower pay. The social partners should aim at reaching agreements to lower the cost burden on employers and thereby reduce their reluctance to hire and keep older workers.

B.3. Other implemented measures unrelated to specific OECD recommendations

Payroll taxes for older workers were abolished (2007, 2008) to increase the demand for older workers. Employers are exempt from paying social security contributions for employees older than 65. The pension fee is still paid for those older than 65 and born in 1938 or later, and their pension entitlements are accrued for these additional payments.

C. IMPROVING THE EMPLOYABILITY OF OLDER WORKERS

C.1. OECD recommendations to Sweden in 2003 – action taken

Employment offices should focus more on older workers

The programme New-Start Jobs, introduced in 2007, reduced the cost of labour through a credit to the employer's account. The scheme is aimed at people who have been receiving unemployment benefit, sickness benefit, sickness and activity compensation or financial assistance for more than one year. The new-start jobs are more beneficial to people aged 55-65 as they are entitled to these jobs for twice the length of time they have been out of work and for no more than ten years or until they reach the age of 65. From 2008, the new-start jobs are open to all employers for all types of employment, including part-time and casual work.

Skills of older people should be enhanced

The principle of lifelong learning, on which the Swedish education system is based, has been applied for a long time. In 2009 the government initiated temporary measures for vocationally oriented upper secondary adult education (*yrkesvux*), including older workers. The main purpose is to counter the effects of the recession and labour shortages, and to reach individuals who lack upper secondary education or who need

to supplement their upper secondary vocational education. The three-year initiative is being implemented in the form of targeted government grants to municipalities, associations of municipalities, and municipalities in collaboration, so as to provide places for a larger number of people.

Education for adults and older people who are intellectually challenged (*särvux*) aims to help them gain knowledge and skills. Vocational training may be offered within the framework of municipal adult education, as well as education for intellectually challenged adults. The Swedish National Agency for Higher Vocational Education, established in 2009, presented a report in 2011 on how it can develop and support vocational education for all students with disabilities, including persons intellectually challenged. The report is currently being reviewed by the Ministry.

The Swedish National Agency for Higher Vocational Education is responsible for co-ordination and support of a national structure for validating previously acquired skills and expertise. The agency works together with other agencies to involve the education system and the industries when strategies, methods and information in the area of validation are developed. All higher vocational education programmes are offered free of charge and entitle students to financial support, and any associated fees for course materials must be reasonably priced.

The work environment, including work organisation, should be improved

Working conditions will often be the deciding element for older workers who have a choice between work and retirement. These conditions are regulated by the Work Environment Act. According to the act, “the working conditions shall be adapted to people’s differing physical and mental aptitudes and the employer will make allowance for the employee’s special aptitudes for the work by modifying working conditions or taking other appropriate measures. In the planning and arrangement of work, due regard will be paid to the fact that individual persons have differing aptitudes for the tasks involved”. Age is one factor to be considered.

The Swedish Work Environment Authority has issued provisions on adaptation and rehabilitation, where it is stated that the employer has to adapt the individual employee’s working situation on the basis of their aptitudes for their work. The authority’s general recommendations state that older people’s special needs should be taken into consideration in any work reorganisation, and their competence and experiences should be used in order to optimise work organisation.

The physical work environment is steadily improving but there are still considerable problems. This is especially true in jobs and sectors where women predominate, *e.g.* the healthcare sector. More women than men have to leave working life early, which means a lower pension and more unsafe later years. The government has given the Swedish Work Environment Authority a mandate to develop special measures to prevent women from being forced to leave working life due to work environment problems. The focus will be on prevention of musculoskeletal disorders due to workload or wrong working postures. The mandate includes collecting knowledge, dissemination, education of inspectors, and conducting a national surveillance activity. The authority has a total of SEK 20.5 million at its disposal to complete the mandate over the period 2011-14.

C.2. OECD recommendations to Sweden in 2003 – no action taken

Working-time flexibility should be enhanced

In Sweden, issues such as (for example) flexible working hours for older people are up to the social partners to deal with in collective agreements, normally without government interference.

Table 1. Older workers scoreboard, 2000, 2005 and 2011

	Sweden			OECD ^h		
	2001	2005	2011	2001	2005	2011
Employment						
-- Employment rate, 50-64 (% of the age group)	73.6	74.2	77.3	55.6	58.4	61.2
<i>of which</i> 50-54	84.8	83.8	87.0	71.8	73.7	76.1
55-59	78.7	79.7	82.1	55.9	59.9	64.8
60-64	51.0	58.1	63.4	32.5	35.6	40.0
-- Employment rate, 55-64 (% of the age group)	67.0	69.6	72.5	44.9	49.0	52.9
-- Employment rate, 65-69 (% of the age group)	12.6	14.0	15.5	15.2	16.5	18.5
Job quality						
-- Incidence of part-time work, 55-64 (% of total employment)	17.7	16.1	14.1	17.2	17.2	18.7
-- Incidence of temporary work, 55-64 (% employees)	6.7	6.4	6.1	9.0	9.1	9.1
-- Full-time ^a earnings, 55-59 relative to 25-29 (ratio)	1.19	1.26	1.26	1.32	1.33	1.34
Dynamics						
-- Retention rate ^b , after 60 (% of employees <i>t</i> -5)	48.0	63.2	60.4	37.8	40.4	42.2
-- Hiring rate ^c , 55-64 (% of employees <i>t</i> -1)	5.1	5.6	5.6	7.8	9.2	8.5
-- Effective labour force exit age ^d (years) Men	63.5	65.1	66.3	63.1	63.3	63.9
Women	62.0	62.4	64.4	61.1	62.0	62.8
Unemployment						
-- Unemployment rate, 55-64 (% of the labour force)	5.0	4.5	4.7	4.6	4.8	5.8
-- Incidence of long-term ^e unemployment, 55+ (% of total unemployment)	48.8	27.8	33.8	46.8	47.7	45.9
Employability						
-- Share of 55-64 with tertiary education ^f (% of the age group)	23.0	24.9	27.5	15.9	19.9	22.9
-- Participation in training ^g , 55-64						
Absolute (% of all employed in the age group)	10.0	13.3	18.7	6.6	8.2	9.4
Relative to employed persons aged 25-54 (ratio)	0.64	0.69	0.74	0.44	0.52	0.57

-- unavailable.

a) Mean gross hourly earnings, 2000, 2001, 2005 and 2011.

b) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 5-years previously, 2000, 2005 and 2010.

c) Percentage of employees aged 55-64 with a job tenure of less than one year, 2000, 2005 and 2010.

d) 2001, 2005 and 2011. Effective exit age over the five-year periods 1996-2001, 2000-2005 and 2006-2011. The effective exit age (also called the effective age of retirement) is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first date, using absolute changes in the labour force participation rate of each cohort as weights.

e) Unemployed for more than one year, 2007 instead of 2005.

f) 2000, 2005, 2010.

g) Job-related training during the last month.

h) Unweighted averages for 34 OECD countries.

Source: OECD estimations from national labour force surveys and OECD Education database.

www.oecd.org/els/employment/olderworkers

Table 2. Ageing and employment policies: Sweden (situation mid-2012)

OECD's recommendations to Sweden in 2003	Action taken
A. Strengthening financial incentives to carry on working	
<i>Eligibility criteria for social insurance should be strengthened</i>	+
<i>The decision process for disability pension should be reviewed</i>	+
<i>The number of recipients on long-term sickness should be reduced</i>	++
B. Tackling employment barriers on the side of employers	
<i>Employment protection legislation, especially the first-in-last-out rule needs to be more reviewed</i>	+
<i>Bring forward legislation to meet the requirements of the EU directive on anti-age discrimination</i>	+
<i>Premiums for defined occupational pensions are too high</i>	/
C. Improving the employability of older workers	
<i>Employment offices should focus more on older people</i>	+
<i>Skills of older people should be enhanced</i>	+
<i>The work environment, including work organisation, should be improved</i>	+
<i>Working-time flexibility should be enhanced</i>	/
<p><i>Notes</i></p> <p>/ = no (relevant) action taken; + = some action taken, but more could be done; ? = some action taken, but could have negative impact and requires further assessment; ++ = substantial action has been taken.</p> <p>Source: OECD (2003), <i>Ageing and Employment Policies: Sweden</i> and answers to the follow-up questionnaire from Sweden.</p>	