

Sweden

Far-reaching reforms to the unemployment insurance system since 2007

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The Swedish system of unemployment insurance is often held up as an example: linked to an active labour market policy (implemented by the AMS, *Arbetsmarknadsstyrelse*), in principle it provides a generous level of benefit, for quite a long period, with fairly unrestrictive qualifying conditions. In return, job-seekers are subject to strict requirements arising from the so-called ‘activation’ philosophy. Although the conditions governing benefit and eligibility were tightened by the Social Democrat government between 1994 and 1997 in order to make up the deficit on unemployment insurance, the system became more generous again from 1997-1998 onwards.

During the election campaign for the 2006 parliamentary elections in Sweden, employment and unemployment were key issues. Despite a relatively low ‘visible’ unemployment rate¹, the difficulties encountered by young school-leavers and the numbers of people benefiting from the various employment policy measures gave rise to a degree of scepticism, not to say discontentment, with the Social Democrat government. The opposition Alliance coalition, led by Fredrik Reinfeldt, in fact made reducing unemployment one of its priorities.

Reforming the unemployment insurance system was one of the first measures to be introduced by the Reinfeldt government following the 2006 parliamentary elections. Approved by Parliament on 21 December 2006, this reform measure changed the mode of funding and the rules governing benefits. Since then, other aspects have been the subject of individual amendments. Taken as a whole, this has resulted in a profound change to the benefit arrangements.

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1. In 2007, the visible unemployment rate (*öppet arbetslöshet*) was 4.6%; this rises to 6.2% when measured in ILO terms.

Origins and principal features of the unemployment insurance system

The voluntary unemployment insurance scheme, subsidised by the State, was established by a Decree in 1934. Unemployment insurance funds, most of which were set up in the years 1920-1930, are bodies established under private law, with links to the trade unions². They are responsible for managing and paying benefits, while the rules governing compensation are defined by the State. Originally, nearly two-thirds of their funding came from contributions paid by their members. Since the early 1980s the State's involvement has increased considerably: in 2005, membership subscriptions to the funds represented 13.5% of the costs of unemployment insurance (including management costs).

Two laws adopted in May 1997 changed the unemployment insurance system as from 1 January 1998: the Law on Unemployment Insurance (*Lagen om Arbetslöshetsförsäkring*) and the Law on Unemployment Insurance Funds (*Lagen om Arbetslöshetskassor*). A second level was added to the unemployment insurance system, which henceforth comprises:

- a basic scheme, which pays a flat-rate daily allowance, the basic allowance (*grundförsäkring*), to all job-seekers who meet certain conditions;
- an insurance scheme, on a voluntary basis, which pays a replacement allowance calculated on the basis of previous earnings (*inkomstbortfallförsäkring*). To receive this allowance, the person concerned must be a member of an unemployment insurance fund. Provided they are affiliated to a fund, the scheme covers both workers and company managers.

These allowances (basic and replacement) are paid out by the 32 unemployment insurance funds, which since 1998 have been legally independent of the trade unions. A specific fund, the Alfa-kassa, set up in 1997, pays the basic allowance to unemployed people who are not affiliated to an unemployment insurance fund, or have not been members for a sufficiently long period.

2. Membership of a trade union normally involves membership of the corresponding unemployment insurance fund.

A series of changes since 2007

The Reinfeldt government's reforms have profoundly altered both the mode of funding and the rules governing benefits.

The reform of funding is designed to increase contributions as a proportion of in the resources of the unemployment insurance funds, thereby allowing the State to reduce its level of participation. The idea is to strengthen the link between the risk of unemployment and contributions made to an unemployment insurance fund, thus reinforcing the insurance-based philosophy. The reform has taken place in two stages. Since January 2007, the State has reduced its funding to 55% of the costs of the funds, and considerably increased the level of contributions for persons in employment. The funds are being encouraged to reduce their costs and/or strengthen their supervisory mechanisms, and the trade union organisations linked to them are being encouraged to reduce the number of unemployed by moderating their wage claims (Mantz, 2007). Starting on 1 July 2008, individual contributions³ have been partially reduced, but contributions now vary more widely from fund to fund depending on the risk of unemployment.

The rules governing compensation have been subject to a large number of modifications (Table 1, next page).

The criteria for entitlement to compensation have been tightened since January 2007. The minimum period of work has been raised to 80 hours per month (instead of 70) in the previous 12 months. Being a student no longer confers entitlement to an unemployment allowance. Moreover, the period of exemption in the case of sickness, parental leave or study has been reduced to 5 years (previously 7 years).

As for the amount of benefit, this has been reduced in two stages. From January 2007 the reference level of earnings for calculating the allowance has been capped at 18,700 SEK (approximately €1,800⁴), a considerable reduction from the previous figure of 20,700 SEK (approximately €1,990). The ceiling for the allowance, previously set at 730 SEK for the

3. Contributions vary according to whether membership is individual or collective (via a related trade union) and whether the person is in employment or unemployed.

4. The conversion to euros is given for illustrative purposes only. It does not take account of the recent depreciation of the Swedish krona (SEK).

first 100 days, has been reduced to 680 SEK for the whole period during which the replacement allowance is claimed. In March of that year, the reduction in the rate of the replacement allowance came into force. Previously set at 80% of reference earnings, it now decreases in steps depending on the length of unemployment: 80% of last earnings for the first 200 days, then 70% until the 300th day, and finally 65% beyond that; or a maximum of 680 SEK (approximately €73) per day throughout the whole period.

A fresh modification introduced in the spring 2007 budget relates to offers of employment. As from July 2007, unemployed workers can no longer claim that the distance between the proposed place of work and their home is too great: the reference to 'in the immediate vicinity' has been deleted. It is also stipulated that unemployed workers in receipt of the basic allowance will have to seek employment, which is in line with their initial training. Although each case will be judged on its merits, the aim is clearly to encourage unemployed people to resume work more quickly, through increased geographical mobility amongst other means.

Since April 2008 a specific rule has applied to part-time workers (Andersson, 2007). Until then, an unemployed person who was compelled to work part-time could claim compensation for time not worked for up to 300 days. After the 300 days they had to choose: either to continue working part-time, but without any further compensation via the unemployment insurance system; or to resign and, provided the necessary conditions were met, receive unemployment allowance on the basis of their part-time earnings. Now the benefit period in the case of part-time working has been reduced to 75 days. The government's aim is to encourage full-time employment. The only exception is for lone parents of children under 18 years of age, who benefit from an extended period under the 'guarantee of employment and development'.

Finally, the benefit period was reduced to a maximum of 300 days in July 2007, whereas before it could be as much as 600 days. Only parents with a child under 18 years of age on the 300th day of compensation can continue to receive benefit for up to 450 days.

Table 1 Summary of reforms 2006-2008

	Before 2007	Changes since 2007*
Funding	The State funds almost 90% of total allowances paid	<p>1 January 2007: Introduction of an additional contribution for fund members in employment (<i>förhöjd finansieringavgift</i>), depending on the proportion of members who are unemployed. 150 to 300 SEK per month**</p> <p>1 July 2008: Contributions to an unemployment insurance fund based on cost of benefit</p>
Benefit		
Qualifying period	Replacement allowance paid if contributions paid to an unemployment insurance fund for 12 successive months	Unchanged
Period of employment	<p>Number of hours worked: 70 hr/month for 6 out of preceding 12 months</p> <p>University students entitled to claim an allowance Exemption period: 7 years</p>	<p>1 January 2007: Number of hours worked: 80 hr/month (for 6 out of preceding 12 months) or 480 hr over 6 months (at least 50 hr per month)</p> <p>University students no longer entitled to claim allowance Exemption period: 5 years</p>
Amount of allowance	<p>Basic allowance: 320 SEK per day</p> <p>Reference earnings capped at 20,700 SEK, calculated over previous 6 months</p> <p>Replacement allowance: 80% of last earnings, capped at 730 SEK per day for 100 days, thereafter 680 SEK per day.</p>	<p>Unchanged</p> <p>1 January 2007: Maximum allowance: 680 SEK per day</p> <p>Replacement allowance: 80% of last earnings for first 200 days, thereafter 70%</p> <p>5 March 2007: 70% up to 300 days, thereafter 65%</p>
Period of benefit	300 or 600 days for everyone	<p>5 March 2007: Maximum period: 300 days (450 days for parents with children under 18)</p> <p>2 July 2007: Possibility of extending benefit period removed 450 days maximum for parents with children under 18</p> <p>1 October 2007: days covered by 'activity support' deducted from benefit period</p> <p>7 April 2008: for part-time workers, maximum period of 75 days, except for lone parents</p>
Waiting period	5 days	7 July 2008: 7 days ...

* Dates when measures entered into force. ** 10 SEK = €0.95

...	Before 2007	Changes since 2007*
Benefit		
Offer of employment	For first 100 days, right to seek employment close to home and in line with qualifications	2 July 2007: no restriction based on place of employment Requirement for those receiving basic allowance to seek employment in line with initial training

* Dates when measures entered into force.

Effects of the reforms

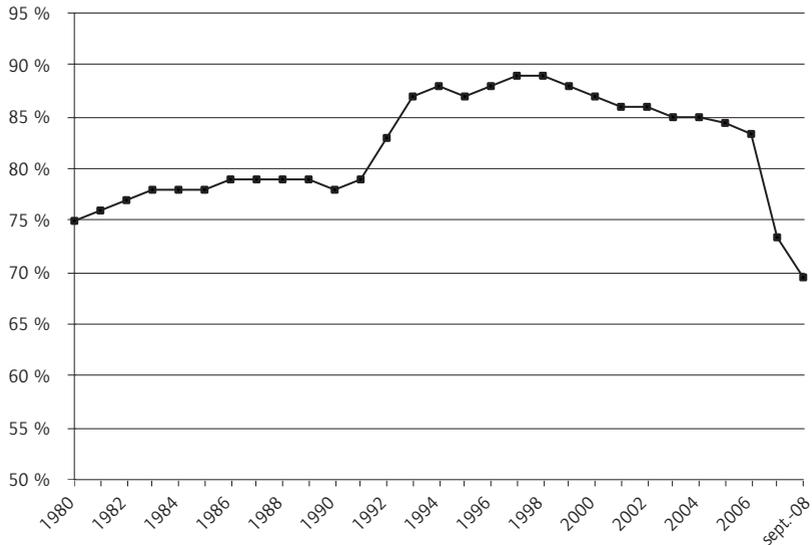
The effects of the reforms have been twofold: an increase in inequality amongst unemployed people, to the detriment of those in part-time work, and a decline in the number of members of unemployment insurance funds.

The trade union confederations had been quick to emphasise the negative consequences of the stricter conditions for receiving benefit, which came into force in January 2007. The reduction in the exemption period is likely to affect women in particular, since they take parental leave much more frequently than men (LO, 2007). Before these measures came into force, Samorg had estimated that 110,000 persons would see their allowances reduced from 1 January, 75% of them women. The severe restriction on compensation for involuntary part-time working since January 2008 is also particularly unfavourable to women, who do much more part-time work than men, mainly because of the sectors in which they are over-represented (e.g. commerce, local government). They are also over-represented amongst unemployed workers receiving benefit. On this last point, they suffer from the difficulty of converting part-time jobs into full-time jobs. The employers' organisations maintain that such a conversion is in fact impossible, and would in any case have negative consequences for the unemployment rate.

Before the reform of membership of unemployment insurance funds came into force, there were 36 such funds. The trade union confederations fiercely criticised the increase in the level of contributions to an unemployment insurance fund, highlighting the danger that members would choose to disaffiliate. In fact the fall in membership of these funds proved very rapid once the measure came into force (Graph 1). As early as April 2007, the IAF (*Inspektionen för arbetslöshetsförsäkingen*) was reporting a fall of around 210,000 persons. By the end

of September 2008, the IAF was giving a figure of 3,308,212 members, i.e. 487,000 fewer members than in December 2006 (a fall of over 13%). At that date, only 70% of the working population was covered by voluntary unemployment insurance⁵. Among those who have left the unemployment insurance funds, two categories are over-represented: people on low wages, working part-time, who are at high risk of unemployment but have little chance of meeting the new criteria for claiming replacement allowance, and older workers, approaching the end of their working lives and on open-ended contracts (Eliasson, 2008). The drop in membership has been particularly marked in sectors such as hotels and catering, retailing, transport, and among local authority workers. The commonest reason given for leaving is the financial cost linked to the increase in individual contributions⁶.

Figure 1 Membership of unemployment insurance funds, 1980 - Sept 2008 as % of working population



Source: Anxo (2008)

5. Being covered does not necessarily imply that they can claim replacement allowance. This depends on how long they have been members.

6. All the more marked because these contributions have ceased to be tax-deductible since January 2007.

In response to this reduction in membership numbers, some funds had to merge. Thus the painters' and decorators' fund (*Målarnas a-kassa*), with 12,242 members, joined up with the 92,600 members of the building workers' fund (*Byggnadarbetarnas a-kassa*) on 1 October 2007. The fund for technical staff and office workers (*Svenska Industritjänstemannaförbundet, SIF a-kassa*) and that for workers in the commercial, transport and services sector (*Handelstjänstemannaförbundet, HTF a-kassa*) were merged on 1 January 2008 to form a new fund, *Unionens a-kassa*, with over 500,000 members. The funds for workers in the graphical industries (*Grafiska arbetarnas a-kassa*) and in forestry (*Skog- och Träfacket's a-kassa*) also merged to form *GS a-kassa* on 1 April 2008, with 62,000 members. One last merger took place in January 2009 between STs and SeAs. There are therefore now only 32 unemployment insurance funds. But the drop in membership has not been stemmed. The building workers' fund, for example, lost nearly 14,000 members (i.e. 12%) between September 2006 and June 2009 (IAF, 2009b).

By the end of July 2008, 1,200,000 workers (a quarter of the working population) were not affiliated to any unemployment insurance fund and were therefore unable to claim an allowance in proportion to their income. With the reduction in the number of subscribers, the rate of cover for the risk of unemployment is falling. The Swedish Council for Fiscal Policy, in its report for 2008 (Finanspolitiska Rådet, 2008), has also highlighted the potentially negative impact of reforms to the funding of unemployment insurance, which could result in an increase in the number of new claimants for other benefits (for example the basic subsistence allowance, *socialbidrag*, paid by local authorities).

From a voluntary to a compulsory insurance scheme

The debate over whether unemployment insurance should be compulsory is as old as unemployment insurance itself. The first proposal to set up a compulsory unemployment insurance scheme goes back to 1928. In 1974 a parliamentary committee was charged with examining the modalities of setting up a compulsory unemployment insurance scheme. The system proposed was seen at the time as too onerous, and voluntary membership of unemployment insurance funds organised for each industry thus continued (SOU, 2008). Nevertheless, the establishment in 1974 of the KAS (*kontanta arbetsmarknadsstödet*), a flat-rate allowance of 35 SEK

per day, marked the beginning of a movement towards universal cover for the risk of unemployment. The KAS was paid to unemployed workers who did not have unemployment insurance or did not fulfil the qualifying conditions (SOU, 2008). Although it was more in the nature of social assistance than an insurance mechanism, this allowance did make it possible to extend the level of cover for the risk of unemployment.

Based to some extent on the proposals of a report on the means of organising and funding a compulsory unemployment insurance scheme⁷, Carl Bildt's government introduced two proposed pieces of legislation⁸ along these lines in 1993. Once approved by Parliament, the new system partly came into force on 1 January 1994 (SOU, 2008). In the autumn of 1994 the Social Democrats won the elections and repealed it. Nobody therefore received any allowances under this ephemeral compulsory unemployment insurance scheme (Larsson, 2007).

Believing that unemployment insurance is essential for proper economic development, and should be guaranteed for all workers, Fredrik Reinfeldt's government sought once again to make unemployment insurance compulsory. On 28 June 2007 the government therefore commissioned a report from Sören Öman, Director of the Stockholm Centre for Commercial Law at the University of Stockholm, on the modalities of such a reform. This report was submitted to the Minister of Labour on 15 May 2008. A supplementary report on unemployment contributions was submitted on 30 September 2008.

The system proposed does not alter the present system of autonomous funds with a voluntary membership. It supplements it with another system designed to provide an unemployment allowance in proportion to the income for everyone who is not a member of a fund⁹. Payment of this allowance would imply additional expenditure for the State. Öman therefore proposes the establishment of a new unemployment contribution (*arbetslöshetsförsäkringsavgift*) payable by workers who are not members of any fund and whose income from employment is above a certain threshold¹⁰. The whole of the working population

7. *Ersättning vid arbetslöshet* (SOU 1993:52).

8. Propositionen 1993/94:80 *En allmän och obligatorisk arbetslöshetsförsäkring* and propositionen 1993/94:209 *Den fortsatta reformeringen av arbetslöshetsförsäkringen*.

9. For the time being they can only receive a flat-rate daily allowance paid by Alfa-kassa.

10. The contribution would not be payable in the first year in which the threshold was exceeded.

(employees in the private as well as the public sector, plus company managers) would be covered by this contribution. The total number of those potentially liable is estimated at almost 510,000 persons (SOU, 2008). So as not to encourage fund members to switch to the supplementary system, it was stipulated that the amount of this contribution should be equal to the highest contribution charged by the funds, i.e. 433 SEK per month in 2008¹¹.

Potential effects of the reform

The proposed system would have two main consequences: an increase in the numbers of those affiliated to funds, and an acceleration in the process of re-drawing the landscape of the unemployment insurance funds.

Indeed, people who for the time being are not members of any fund would have a strong economic incentive to join: not being a member of an unemployment insurance fund would mean, on average, an additional cost of 100 SEK (€9.50) per month. Hence it was estimated that nearly 450,000 people would seek to join an unemployment insurance fund under this system. The funds would therefore find themselves enjoying a membership figure close to that achieved before the 2007 reforms (SOU, 2008).

Moreover, the need to weigh up whether to join an unemployment insurance fund or not would disappear. The choice would lie only *among* the different funds, with each individual seeking to join the fund where he or she could pay the lowest contribution. Funds offering the lowest contributions would thus see their membership numbers increase. Company managers and employees in the commercial and building sectors would be over-represented among those liable to pay the new contribution. The relative weight of the funds covering these sectors would therefore be accentuated, to the detriment of the funds covering the industrial, and health and social, sectors (SOU, 2008).

11. The amount of contribution would be identical for all those liable to pay, and unlike the situation in the unemployment insurance funds since 2007, would not vary according to the unemployment risk in the insured person's own industry. The conditions for claiming allowances paid under the supplementary scheme would be the same as under the voluntary unemployment insurance scheme, as would the level and period of payment of the benefit.

Unanimous rejection

The employers' organisations and trade unions have been unanimous in rejecting the proposals of the Öman report. They are opposed to the principle of compulsory unemployment insurance, even if it merely supplements the existing system. On the one hand, they fear that the position of the trade unions on the labour market will be weakened. The requirement to pay an unemployment contribution might, because of the extra costs involved, encourage some workers to stop paying their trade union subscriptions. The level of trade union membership might therefore diminish. The legitimacy of the unions and the collective agreements they negotiate would thus be weakened. On the other hand, the system proposed does not respect the freedom of affiliation and individual choice. Given that 480,000 people have chosen to leave their unemployment insurance funds, the system proposed, in the opinion of the social partners, shows a lack of consideration for the informed choices made by Swedish workers. Particularly since these people, though not members of a fund, would now have to pay a contribution in order to benefit from an insurance which they had specifically decided they did not need.

In addition to this rejection in principle, other reasons are given. The employers' confederation *Svenskt Näringsliv* opposes the proposal mainly because company managers make up 30% of those potentially liable for the new contribution, which is four times their share of the overall working population (SOU, 2008)¹². The trade unions LO (*Landsorganisationen i Sverige*, representing manual workers), TCO (*Tjänstemännens Centralorganisation*, representing white-collar workers) and SACO (*Sveriges Akademikers Centralorganisation*, representing higher-education graduates) for their part fear a weakening of the necessary link between payment of a contribution and the right to unemployment insurance. Under the proposed system, some people on low incomes might be able to claim unemployment allowance without having paid contributions, while others on high incomes but who did not meet other conditions for claiming the allowance (for example, part-time workers who had not worked a sufficient number of hours) would still pay the contribution. Such situations would risk undermining the

12. *Företagarna*, an employers' organisation representing essentially very small enterprises and SMEs, has also indicated its rejection of compulsory unemployment insurance, as has *Arbetsgivarverket* (representing public sector employers).

legitimacy of unemployment insurance (TCO, 2008a). Lastly, the proposal also contradicts the principle of proportionality between contributions and the unemployment risk in the insured person's sector of the economy, a principle which emerged from the reforms of January 2007 (TCO, 2008a).

Although the social partners share the government's objective of extending cover for the risk of unemployment throughout the working population in Sweden, they are nonetheless proposing different solutions from that envisaged until now by the government. The trade unions want an audit of the whole system of social protection to be carried out, so that the interaction between the various benefit schemes can be brought to light (SACO, 2008). They also consider that the best way of increasing the rate of cover for unemployment insurance is to make the funds more attractive by reducing the level of contributions and increasing the ceiling and the replacement rates for unemployment insurance (LO, 2008b). This would mean the government reversing some of the changes made since 2007. The employers' organisations, for their part, want above all to make the unemployment insurance funds more attractive by offering bodies other than trade unions the opportunity to manage them, by strengthening competition between funds, and by having greater individualisation of contributions based on the individual unemployment risk (Bergström and Morin, 2007).

Impact of the economic downturn on the debate

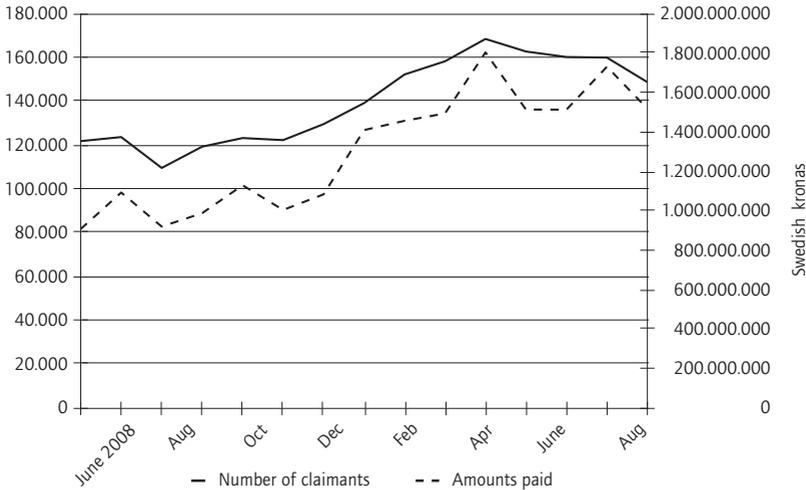
Since the autumn of 2008, the terms of the debate about unemployment insurance have changed very markedly. The trends in respect of unemployment and the membership of funds have been reversed. The government's policy on unemployment insurance has seen a major turnaround. The position of the trade unions has become firmer.

A reversal of the trend in indicators linked to unemployment

The first consequence of the economic downturn was a strong increase in the unemployment rate. Sweden moved into recession in the last quarter of 2008. Lay-offs increased massively in December 2008, and forecasts became increasingly pessimistic from March 2009 onwards. Many public services are reducing their numbers of employees, especially

in the education sector. In May 2009 the unemployment rate reached 9%, an increase of 3.1 percentage points compared with May 2008 (SCB, 2009). The number of unemployed persons has reached 446,000 (SCB, 2009), compared with 122,187 in May 2008, when the level of unemployment had reached its lowest point since 1991.

Figure 2 Number of claimants and total payments made by unemployment insurance funds, June 2008 – August 2009

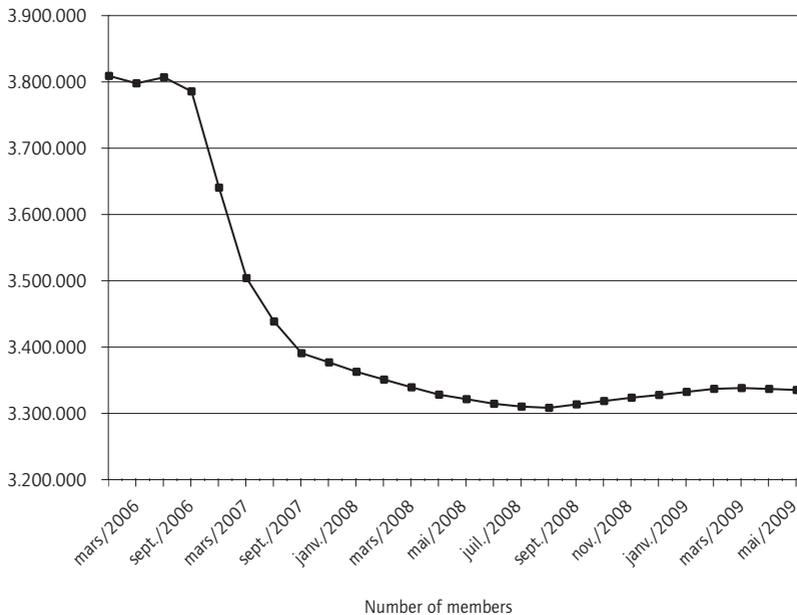


Source: IAF (2009a)

This growth in the numbers unemployed was of course accompanied by an increase in the total amount of money paid out by the unemployment insurance funds and an increase in the number of claimants for unemployment benefit. 2008 had been a particularly good year for the unemployment insurance funds' finances. The total amount paid out by the funds was at its lowest level since the early 1990s: the figure in 2008 was slightly less than half that for 2006. From autumn 2008 onwards, the number of persons claiming unemployment insurance allowance rose sharply, moving from 109,524 in August 2008 to a peak of 168,441 in April 2009, an increase of nearly 54%. The total amount paid out by the unemployment insurance funds followed a similar trajectory, almost doubling during the same period (IAF, 2009a).

The third striking factor in this development is the stabilisation in the membership of the unemployment insurance funds after October 2008. The number of members had declined constantly since the reforms to the unemployment insurance scheme came into force in January 2007. It reached its lowest point in September 2008, with 3,308,383 members. Since then the membership of unemployment insurance funds has increased slightly. Thus the funds had 3,338,263 members at the end of April 2009, almost 30,000 more than the figure for September 2008 (IAF, 2009b). There seems to be a slight decrease since then.

Figure 3 Membership of unemployment insurance funds, March 2006 – June 2009



Source: IAF (2009b)

An abrupt reversal of policy

This reversal of the trend in the progression of the indicators linked to unemployment led the government to amend its policy on unemployment insurance.

The abandonment of the compulsory unemployment insurance scheme proposed by Sören Öman, which was deemed to be too complex, was announced even before Öman had submitted the final conclusions of his report at the end of September. The vote on the budget in the autumn¹³ was an opportunity to adopt three measures designed to encourage and facilitate membership of unemployment insurance funds (Arbetsmarknadsdepartementet, 2008):

- unemployment contributions reduced by 50 SEK per month (€5) from 1 July 2009¹⁴,
- the period of membership required to claim wage-related benefit reduced temporarily from 12 to 6 months for the year 2009,
- the condition relating to a minimum period of employment abolished after 1 July 2009.

By introducing these measures, the government was seeking to encourage an increase in the rate of cover for the risk of unemployment at the very time when unemployment insurance appeared more necessary than ever, following the downturn in the economy.

The trade unions go on the offensive again

The social partners welcomed the short-term economic measures taken to encourage membership of unemployment insurance funds and the apparent abandonment of the proposed compulsory unemployment insurance scheme. Nevertheless, the three trade union confederations felt that the measures put forward by the government in its 2009 budget amounted to only a marginal change, and would not enable a return to a rate of cover for the risk of unemployment similar to that which prevailed before the 2007 reforms (LO, 2008a). The measures were not enough to provide sufficient security to as many workers as possible during a period of very sharply rising unemployment¹⁵. Only a greater reduction in

13. The 2009 budget.

14. In order to reduce the cost of moving from unemployment into employment, the amount of individual contributions is set at 300 SEK per month for persons in employment.

15. In a report published in December 2008, the public employment agency (*Arbetsförmedlingen*) estimates that the proportion of unemployed persons without insurance has risen from 16 to 32% since 2006.

contributions and an end to contributions being modulated according to the risk of unemployment in a particular sector would enable a return to an equivalent rate of cover (TCO, 2008b).

The trade unions' criticism focussed on the level of the ceiling for unemployment insurance. Having remained unchanged from 2002 to 2007, the ceiling was lowered under the 2007 reforms, dropping from 730 to 680 SEK per day for the first 100 days of benefit payments. The result of this reduction is that an ever-decreasing number of unemployed people can claim replacement income equivalent to 80% of their last earnings. This proportion has constantly diminished since 2002. At that time, four out of five full-time unemployed workers could claim allowances at a rate equivalent to 80% of their last earnings. Now only one out of five full-time unemployed workers can claim allowances equivalent to 80% of their last earnings (SO, 2009).

An increase in the ceiling for unemployment insurance is now the principal demand of the trade unions. The three confederations (LO, TCO, SACO) have moreover distributed a joint petition to this effect which to date has received almost 100,000 signatures. The brand-new unemployment insurance fund for teachers stipulates that there shall be no ceiling. In April 2009, LO also set up a working group on unemployment insurance together with the Social Democratic Party SAP.

On the employers' side, although the employers' confederation *Svenskt Näringsliv* has welcomed the abandonment of the proposed compulsory unemployment insurance scheme, it has on the other hand criticised the decision to reduce the unemployment contributions paid by fund members. This decision in fact runs counter to the government's declared intention, supported by *Svenskt Näringsliv*, to strengthen the link between the level of contributions and the unemployment risk (Andersson, 2008b).

Conclusion

Reforms to the system of unemployment insurance are designed not only to encourage unemployed workers to take up jobs quickly, but also to have an effect on wage formation. The increased burden of funding on the unemployment insurance funds and the modulation of contributions

depending on risk are meant to encourage the funds, and hence the trade unions, to moderate their wage claims.

However, the downturn in the economy, which is being felt in Sweden as elsewhere, has highlighted the negative effects of reforming the benefit rules. A not inconsiderable number of people, especially those in insecure jobs on low wages, no longer enjoy sufficient protection against unemployment. The government has therefore adjusted its policy since the autumn of 2008, in order to mitigate its more negative impacts, including the reduction in the membership of unemployment insurance funds.

Paradoxically, the government did not take advantage of the downturn in the economy, and the resulting need to increase the rate of cover for the risk of unemployment, to speed up the introduction of a compulsory unemployment insurance scheme. This appears to be no longer a topical issue. The government seems instead to favour economic measures to encourage membership of unemployment insurance funds (and hence a reduction in contributions) and relax the conditions for claiming earnings-related benefit. The idea of a compulsory scheme might nonetheless re-emerge during the campaign for the parliamentary elections due to take place in the autumn of 2010. Both the Finance and Labour Ministers have declared their willingness to debate the terms of a compulsory unemployment insurance system (Borg et al., 2008). They are simply concerned that this system should not call into question the link between the trade unions and the insurance funds, which they believe lies at the heart of the Swedish model, and that nothing should be forced on those who feel that they have no need of such insurance. Two conditions which, it appears, the model proposed by Sören Öman did not fulfil.

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