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**“Lengthening of Life-cycle, Employment,
Pensions and Health”**

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Work and Pension in Sweden

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An ageing population

Table 1. Share of the population 65 years and older in some countries (per cent)

<i>Country</i>	1970	2000	2010	2030	2040	2050
Denmark	12.3	15.2	17.0	23.2	25.2	24.1
Norway	12.9	15.4	16.0	22.9	25.3	24.7
Sweden	13.7	17.4	19.5	25.5	27.2	26.7
France	12.9	15.9	16.7	23.2	25.3	25.5
Germany	13.7	16.4	19.8	26.2	28.8	28.4
Italy	10.9	18.2	20.8	29.1	34.5	34.9
United Kingdom	12.9	16.0	17.1	23.1	25.0	24.9
Japan	7.1	17.4	22.0	28.0	31.0	32.3
USA	9.8	12.5	13.2	20.7	21.5	21.7



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2

Factors behind the ageing of the population

1. Declining fertility rates

The decline in the fertility rate leads to a change in the composition of the population. Earlier, the younger the cohort was the larger was the group. This is not so any longer. In many countries the fertility rate is so low that the population will decline.

2. Increased life expectancy

Increased life expectancy – especially if it comes about by that people who have reached retirement live for more years – leads to that an increasing share of the population is composed of older people.



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3

Economic consequences of an ageing population

The share of people who are active age declines (the share of children and young people declines but not as much as the share of old people increases). It means that the number of people to be supported by each person of active age increases.

- *The problem is aggravated by*

Early exit from the labour market

Late entry into the labour market

Decreased labour force participation among men

- *The problem is counteracted by*

An increase in female labour force participation and by that a larger share of them are working full-time



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4

Policies to counteract the economic consequences of an ageing population

- Policies that lead to higher productivity growth
- Policies that lead to later exit from the labour market (including higher retirement age)
- Lower pension replacement rates
- Lower costs (standards) in old age care
- Policies that lead to earlier labour market entry
- Policies that lead to higher employment among those of active age



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5

What is the Swedish Model?

- Large public expenditures (high taxes)
- Social security schemes covering many different forms of income losses
- Social security compensation is earning related but with a ceiling
- The work principle (active labor market programs; a pension reform for enhanced labor supply)
- Extensive social services. Examples: day-care for children and programs for old-age care



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6

Changes in the Swedish Model since 1990

- The pension reform (notional accounts; actuarially fair; a premium reserve part)
- A separate disability pension scheme
- Lowered replacement rates (but still high) in the social security programs
- Lower remuneration for those in active labor market programs



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7

What are most typical aspects of the Swedish model?

- The new pension system; defined cost, actuarially fair; a part-time option
- The active labor market policy; mobility programs; programs for disabled workers
- Equality oriented programs; the tax system; day care centers; parental leave rules and compensation



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8

Elements of pension reforms

- Lower pensions (higher fees)
- (Increased) Funding
- Higher (or more flexible) pension age
- From defined benefit to defined contribution schemes



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9

The main characteristics of the new old-age pension scheme in Sweden

- A defined contribution system
- Notional accounts
- Financed by employer and employee fees
- A premium reserve part
- A possibility to divide the pension credits in the premium reserve part between spouses
- An intended more flexible and higher age at retirement
- A possibility of part-time retirement



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10

Main characteristics of the occupational pension schemes

- There are four major schemes
- Financed by payroll fees
- Two systems are mixed defined contribution and defined benefit, two of them defined benefit
- Three of them give a high compensation for income parts over the ceiling (and a lower compensation below)



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11

Part-time pension systems

- Special social security system
- Part of the disability pension system
- Part of the old-age pension system
- Part of occupational pension schemes



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12

The special part-time pension scheme

Date	Event
July 1, 1976	The part-time pension system started - possible to get a part-time pension from 60 years - replacement rate 65 % of the earnings loss - minimum reduction 5 hours - remaining working time at least 17, not more than 35 hours - financed by a special payroll fee
Jan. 1, 1980	Possible for self-employed to get a part-time pension
Jan. 1, 1981	Replacement rate reduced to 50 %
July 1, 1987	The replacement rate increased to 65 %
July 1, 1994	Minimum age increased to 61 years Replacement rate diminished to 55 % Maximum reduction of working hours set to 10 hours
Jan. 1, 1999	The special payroll fee was discontinued
Dec. 31, 2000	Last day for the start of a new part-time pension



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13

Effects of a part-time pension system on labour supply, and number of hours worked

- One effect is that some people who would have continued to work up to the ordinary retirement age will accept the offer of a part-time pension.
- A second effect is that some people will take that pension instead of leaving the labour market with a form of early exit compensation.
- A third effect of the part-time pension system is that it can influence labour force participation indirectly through effects on health. Part-time work may lead to a better health and to increased labour supply.



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14

Evaluation of the part-time pension scheme

- Figures have been used on the number of hours worked before and after receiving a part-time pension which the National Insurance Board has calculated combined with an earlier study of the part-time pension scheme, and also estimations on what the part-time pensioners would have done if they had not had the option of a part-time pension.
- The effect of the part-time pension system is an increase in the number of hours worked in the economy, especially among women.



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15

Intended effects of the new pension system

- Flexibility and stability
- Keeping up the savings ratio
- Increased labour supply
- A fair system



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16

Table 2. Labour force participation among men aged 55-64 in 1990-2004 in Sweden (per cent)

Age	1990	1995	2000	2004
55-59	87.4	82.2	83.9	83.8
60	74.2	71.6	73.7	76.1
61	70.9	64.9	66.5	72.5
62	65.9	55.9	57.4	66.1
63	58.0	51.3	43.6	58.9
64	48.8	41.9	38.0	48.2
16-64	87.0	80.2	80.2	79.7

Source: Statistics Sweden, Labour Force Surveys.



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17

Table 3. Labour force participation among women aged 55-64 in 1990-2004 (per cent) in Sweden

Age	1990	1995	2000	2004
55-59	78.8	77.3	79.1	79.4
60	69.0	65.7	67.1	69.9
61	62.2	59.5	58.7	67.0
62	54.5	48.6	52.1	58.0
63	46.7	37.7	35.1	49.3
64	37.3	31.2	25.2	40.7
16-64	82.6	76.1	75.5	75.7

Source: Statistics Sweden, Labour Force Surveys.



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18

Strong and weak points of the Swedish system

STRONG POINTS

- Low unemployment
- Work principle
- Active labour market policy also for older workers
- New pension scheme

WEAK POINTS

- Several early exit policies
- Increasing number of the employed are on different forms of leave



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19

