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Changing Swedish sickness insurance

Policies, institutions and outcomes

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Abstract

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The aim of this thesis is to contribute to welfare state theorising by analysing changing risk protection in Swedish sickness insurance and demonstrate how the understanding of such, and its implications, can be enhanced by strategic methodological choices. When analysing formal policy change in the compulsory sickness insurance system, it is concluded that the Swedish system fulfils almost every aspect of a so called social democratic welfare state, and no institutional shift can be discerned over time. When instead studying the interaction between compulsory and occupational benefits, and when investigating differences between diverse groups on the labour market and changes over time, it is demonstrated that there has been an institutional shift in the Swedish system. The balance in regulation between state and collective agreements has moved substantially in the direction of the latter. In terms of the basis for entitlements, a shift from citizenship/residence and labour force participation towards occupational categories has occurred. Considering the replacement levels of the public system, there has also been a shift towards inadequate benefits due to a low ceiling. Such findings emphasise the importance of including occupational systems, and of not treating the population as a homogenous mass, when studying risk protection. When focusing the analysis on how a system functions in practice rather than in theory as is usually done, and thus focusing on non-take-up of occupational benefits, it is shown that a large group of individuals are missing out on the benefit to which they have a right due to their occupational category. Such a fact has implications in terms of risk protection. The most obvious implication of high levels of non-take-up of occupational insurance is reduced individual income security for the affected groups. As the non-take-up is unevenly distributed among groups, such results also indicate that the traditional stratification in the system is strengthened but also that new groups of individuals are worse off than others, thus causing a new basis for stratification within the system.

Keywords: Sickness insurance, disability pension, Sweden, occupational welfare, policy change, stratification, social policy analysis, non-take-up

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Till morfar

För att du har lärt mig att det är TNT (Ta Nya Tag) som gäller
när livet eller arbetet under perioder är en uppförsbacke.

List of Papers

This thesis is based on the following papers, which are referred to in the text by their Roman numerals.

- I Grees, N. Policy instruments and the politics of the welfare state: Policy change in Swedish sickness insurance 1955–2017. *Manuscript*.
- II Grees, N. (2015) Stratification in Changing Swedish Sickness Insurance. *European Journal of Social Security (EJSS)*, 17(4): 453–481.
- III Grees, N. Insured but without benefits: Non-take-up in Swedish occupational sickness insurance. *Manuscript*.

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The emphasis on redistribution takes us to the centre of any ideological type of social policy – whether it assumes the character of progressive, regressive, horizontal or vertical redistribution over time. It is thus related to the broader issues of equality and inequality in our societies. Should social policies in the public (and in the private) sectors operate in the direction of more or less inequality in command-over-resources-in-time between different classes and income groups, and in what ways? Should their objective be to lessen existing inequalities; to legitimate and sustain inequalities; or to increase them on criteria of merit, work performance, social class and so forth? These questions underlie all past, present and future discussions about the social structure of modern societies (Titmuss et al. 1974: 87-88).

1 Introduction

The risk of worsening health is always present over the human life course, regardless of who you are. The *size* of the risk, on the other hand, may vary, as the risk of poor health is unequally distributed in ways that tend to follow socioeconomic structures in western societies (Kvist et al. 2012; Söderström and Rikner 2003). Thus, due to unavoidable absences from the workplace due to a temporary disability preventing work, one risks losing one's livelihood because of lost income. To reduce economic losses caused by sickness, one could save money during periods of full working capacity to ensure availability of extra funds for eventual loss of working capacity. However, this is an unnecessarily expensive method. It is more efficient to go together and share the cost and risk of sickness, which is the basic idea behind sickness insurance.

The major social insurance programmes that correspond to citizens' needs during their life course constitute a major task of modern welfare states¹ (Korpi and Palme 1998). Such programmes are needs-based, in the sense that they were developed in response to individuals' need stemming from certain politically legitimated and acknowledged social contingencies (Clasen and van Oorschot 2002). Social insurance is usually related to employment status, as the purpose of the benefit is to replace (at least in part) lost earnings.² Payment of benefits is typically (but not always) linked to previous contributions *and*, of course, the event of a specific contingency such as reaching a specified age, becoming unemployed, or being unable to work because of sickness or disability. Despite rather similar needs for income protection against social risks in industrial societies, the organisation of such protection varies greatly (Kangas 2004). Such variation in institutional forms may exist, not only between countries but also between programme areas as well as over time.

Ageing and risk of illness are basic features of the human condition – by certainty, almost everyone will become ill during the course of a lifetime and eventually become old. Old age pensions and sickness insurance are thus important for all citizens. In contrast, for unemployment and work-accident insurance, the relevant risks differ greatly among socioeconomic categories. Sickness insurance and pension insurance programmes also tend to have the same institutional structures (Korpi and Palme 1998). The focus of this thesis is on sickness insurance (see further section 5.2.).

¹ The other major part being providing benefits in kind, such as education and health care.

² Disability benefits are often an exception, as they are not necessarily related to employment status.

Differences in the organisation of income protection against social risks create variances, not only in individual income security but also in redistribution and other aspects at the societal level such as the role of conflict among interest groups and stratification. Such differences between welfare states are well documented within the welfare modelling field within the welfare state literature, which is dedicated to classifying and typologising modes of social protection and their consequences (for the traditional literature see, for example, Esping-Andersen 1990; Titmuss 1958). In such typologies, Sweden, which is the focus of this thesis, constitutes the main example of a particular institutional model of welfare provision, no matter if the model itself (in retrospect) has been called social democratic (Esping-Andersen 1990), encompassing (Korpi and Palme 1998), Scandinavian (Ferrera 1996), Nordic (Bonoli 1997) or non-right hegemony (Castles and Mitchell 1993).

Since the mid-1970s, the governments of advanced capitalist democracies have, to varying degrees, attempted to retrench the welfare state by reducing the generosity of benefits and tightening programme eligibility. Social policy has thus tended to move in a work- and efficiency-related direction. Such policy changes have not been restricted to right-of-centre governments in the Anglo democracies. The most developed social democratic welfare states of northern Europe have also experienced reductions in their social protection (Swank 2001).

Such changes are likely to have an impact, both at the individual and societal level. Despite this, the traditional welfare modelling literature and subsequently, the retrenchment literature from the 1990s, commonly assumed that welfare states are fairly resistant to change (see, for example, Abrahamson 1999; Pierson 1994, 1996). With the later literature on institutional change, an emerging consensus that welfare states do change significantly came along. Theoretical models of institutional change have been the centre of attention since then, adding to our knowledge on under what circumstances and in what way, change is likely to occur (see, for example, Hacker et al. 2013; Jacobs 2010; Mahoney and Thelen 2009; Pierson 2001; Streeck and Thelen 2005). Such theoretical models for institutional change however lack connection to how changes in the organisation of protection against social risks affect redistribution, the role of conflict among interest groups, stratification and individual income security (there are however some important exceptions, for example, Hacker 2005). In other words, such arguments are clear in the literature on welfare typologies but have been lost in the transition towards the focus on institutional change. Assuming that the Swedish welfare state also evolves over time, the literature on institutional change thus give little guidance, in terms of what to expect concerning changes in risk protection. Therefore, the aim of this thesis is to focus on changing risk protection in welfare state theorising (see further Section 1.1).

In this thesis, I also argue that ‘knowledge’ of the Swedish welfare state, created by the dominant position of regime theories, has hampered the way

studies on welfare state change in Sweden has been conducted. ‘The stickiness of the Scandinavian model arises because these core values continue to dominate expectations of what should happen, as well as interpretations of what has happened to Scandinavian welfare states’ (Cox 2004: 206). Thus, any study of the Swedish welfare state is presumed to find a comparatively universalistic system with high replacement rates that are generous and proportional to earlier income. In such a system, public solutions are not a last resort to which one turns to for lack of private solutions. Rather, the public system is generous and encompassing and promotes equality of status, as all citizens are endowed with similar rights, irrespective of class or market position (Andersen 2011; Bislev and Lindqvist 1990/1991; Erikson et al. 1987; Esping-Andersen and Korpi 1987; Esping-Andersen 1990). The system is expected to offer the same kind of rights to everyone. Studies thus tend to treat the population as a homogenous mass included in the social security system on equal basis. This description is not necessarily accurate (Grees 2015). By failing to see the diversity in the population, one risks underestimating an evolving stratification within the system. In a similar vein, and perhaps even more importantly, this kind of regime is expected to effectively block off market solutions. Accordingly, studies on Nordic welfare states risk underestimating the scope of recent changes by concentrating on direct public intervention and overlooking occupational (and fiscal) welfare (Kvist and Greve 2011). Notably, ‘What is missing for the Nordic countries are broad investigations of contemporary changes, especially including those incremental changes that may gradually diminish the core in the traditional understanding of the Nordic welfare model’ (Kvist and Greve 2011: 147). At the same time, empirical investigations of the Swedish occupational benefits, in the form of governmental reports, show that occupational insurances constitute an important part of the system for income protection during long-term illness in Sweden (Sjögren Lindquist and Wadensjö 2007, 2011).

An important question is therefore to what degree the combination of different pillars involving collectively negotiated group insurance can provide adequate coverage for risks spanning over different occupational sectors and demographic groups (Lindellee 2018). Bringing the occupational system for income protection into the analysis of welfare state change is thus of importance. First, because occupational welfare is an aspect of social protection that tends to be overlooked (Farnsworth 2004). More importantly, collectively negotiated benefits represent a theoretical problem for the literature on retrenchment, as industrial agreements are collective in nature and therefore differ from pure market options. Furthermore, income, solidarity and other losses caused by retrenchment in public policies may be compensated by such complementary benefits. Accordingly, it is expected that analyses of retrenchment will bring to light more complex answers to questions concerning the implications of cutbacks when occupational systems are included. Collectively ne-

gotiated benefits may thus lead to a more complex public-private mix, changing welfare states in directions other than outright market liberalisation (Trampusch 2007). Earlier studies have also pointed to the difficulty in gaining comprehensive understanding of the range of income protection schemes, comprised of multiple types of benefits. These studies have also pointed out that those who are supposed to be eligible for complementary benefits, do not necessarily receive them (Sjögren Lindquist and Wadensjö 2007, 2011).

Hence, important aspects are lost when the focus is solely on public provision. Therefore, I investigate changes in Swedish sickness insurance in three different ways in this thesis. First, following the traditional focus in welfare state research, I demonstrate how compulsory sickness insurance has developed since its introduction. Secondly, I study the interaction between the compulsory and occupational insurances and demonstrate how the understanding of change varies when moving from a focus on policy change in the compulsory insurance. Thirdly, I focus on a problematic area, in terms of occupational insurance – namely that of non-take-up.

1.1 Aim, research questions and delimitations

The aim of this thesis is to contribute to welfare state theorising by analysing changing risk protection in Swedish sickness insurance. A further aim is to demonstrate how the understanding of changing Swedish sickness insurance and its implications can be enhanced by strategic methodological choices. To fulfil these overarching aims, the following questions will be answered:

1. How has the risk protection, in terms of sickness changed in Sweden?
2. What are the implications of such changes in risk protection at the individual and the societal levels?
3. How is the answer to questions 1 and 2 affected when:
 - a) Focusing the analysis on policy change in the compulsory sickness insurance system
 - b) Focusing the analysis on the interaction between compulsory and occupational benefits
 - c) Focusing the analysis on non-take-up of occupational benefits

These are the questions being addressed in this introductory chapter. Each study of the thesis then has its own specific research questions. The idea with this introductory chapter is to reanalyse the results of the ingoing studies from a slightly new and wider perspective and to answer the above questions.

The purpose of the thesis is not explanatory. This counts for the emergence of both the compulsory sickness insurance system and the different collective agreements (and thus how and why these insurance systems came into force).

The starting points here are, firstly, the compulsory insurance that came into place in 1955 (paper I), secondly, the existing compulsory and occupational insurances in the 1980s (paper II) and, thirdly, the practical functioning of the occupational sickness insurance in 2007 (paper III). We should also remind ourselves of the fact that there is nothing automatic in the relationship between compulsory sickness insurance and collectively negotiated schemes. Occupational insurance schemes in Sweden are quasi-mandatory, as the mandate is not a legal requirement imposed by the state but rather the outcome of contractual agreements between employers and labour market unions (Ståhlberg 2003). The agreements thus differ between occupational sectors. If the government change the replacement rate in the compulsory system, it is up to the labour market partners to renegotiate the collective agreements (Sjögren Lindquist and Wadensjö 2011). Accordingly, there is no guarantee that collective schemes will fill the empty space left by a compulsory scheme that provides inadequate insurance. Quite the contrary, judging from cross-national differences and from the fact that collective schemes tend to cover different groups to different degrees, also in a context with strong unions and employer organisations.

Lastly, the focus of this thesis is not on differences and similarities with other welfare states or systems. Rather, this is a case study of Swedish sickness insurance, based on the assumption that we can reach new insights about generally overseen phenomena by digging into the details of the changes made to a particular welfare system – which only is possible by a thorough investigation of a single country and insurance programme. A brief sketch of how the case of Swedish sickness insurance theoretically should be understood in an international perspective is however included in section 5.

1.2 Outline

The remainder of this introductory chapter is organised as follows. In section 2, arguments are proposed regarding why and how social insurance institutions matter and accordingly why development thereof should be of scholarly interest, not only in terms of models for change but also because of its implications for redistribution, the role of conflict among interest groups, stratification and individual income security. Thereafter, the *main* contributions within the literature on changing welfare states (in terms of social security) are presented and discussed in relation to the aims of this thesis. In section 4, an analytical framework is introduced to aid in understanding changing social insurance institutions. This framework is the reference point in this introductory chapter regarding whether an institutional change has taken place over time. In the next section, the methodology, the data collection processes and limitations of the thesis are discussed. In this section, there is also a discussion on how to understand the Swedish case from an international perspective and the

advantages and disadvantages of focusing on one case only. Section 6 provides a summary of each paper included in the thesis. For each paper, the main arguments are presented, followed by a section on their contributions to research. Section 7 concludes by answering the above questions.

2 Why social insurance institutions matter

Changes at the institutional level are likely to have consequences for a number of aspects at the individual and societal levels.

2.1 Individual income security

The most straightforward way the construction of social insurance institutions matters is in terms of individual income security during absence due to sickness. The bases for entitlement and the benefit level principle are both important in this aspect. Notably, strict entitlement conditions and/or ungenerous benefit levels do not necessarily mean low individual income security. Rather, low income security from the public system is likely to increase dependency on private or occupational alternatives. From a citizen's point of view, the most central aspect of social insurance schemes is the level of economic security or the generosity the programme guarantees (Kangas 2010). Where the money comes from is not necessarily of main interest to the individual. Such a statement is true only when the individual is covered by the complementary system in use. However, such coverage is likely to differ between groups in society and is discussed under the heading of risk pooling. Even if individual income security can be secured from different public and market-based sources, differences in regulation and production are likely to be important for other reasons, as described below.

2.2 Redistribution

Sickness insurance institutions are expected to affect redistributive processes in two ways: first, through differences in the role they give to state politics and to markets and, second, by the degree to which risk pools are formed homogeneously, in terms of socioeconomically structured resources and risks.

The state versus the market

In an institutional structure based on earnings-related benefits, which are closely related to earlier earnings and where the coverage is universal, there is little demand for market-based insurance solutions. If the bases for entitlement are strict and/or the benefit level is set at such a level that few can survive on

the public benefit during periods of sickness, the demand for market-based solutions will be high. The state and the market, i.e. public and private insurance solutions, are built on different logic, and the combination thereof impacts system redistribution and interest formation.

One of the most specific traits of social insurance, or public sickness insurance in this case, is that it is generally uniform, i.e. it is not differentiated according to risk. If the state wants to ensure that everyone is covered by an affordable insurance, the state makes the insurance mandatory. Thus, public insurance tends to be obligatory and therefore universal. This means that it will cover everyone (automatically through the tax system and/or social insurance contributions through income), and the risk is shared/pooled by everyone. Premiums are set to the individuals' ability to pay. Notably, individuals with low risk are paying more, and people with high risk are paying less than they 'should' according to insurance theory, creating redistribution. The redistribution goes from lucky to unlucky, for example, from healthy to sick people. As the risk of sickness varies with socio-economic factors, it is a de facto vertical redistribution, i.e. from rich to poor.³ In other words, public insurance provides insurance *and* redistributes income. Public insurance can also offer protection against risks that the private market cannot insure and is more capable of handling risks that may change over time. This is because the government can raise taxes to meet its obligations and has the ability to share risk across generations (Nicholas Adrian Barr 1993; Kruse et al. 2000; Kvist et al. 2012; Stiglitz 1988; Söderström and Rikner 2003).

In terms of private insurance, there is a close relationship between the premium payments of the individual, his or her own risk and what he or she receives back from the insurance (Stiglitz 1988). For example, a person with poor health, i.e. a high-risk individual in terms of insurance usage (if this is known to the insurer) would have to pay higher premium than a person with low risk when buying private insurance. Private insurance thus tends to use differentiated premiums, depending on individual risks. However, private insurance can better cope with individuals' risk aversion and is better for the possibility of individuals choosing and being able to adjust insurance to their own needs. The higher the responsibility of insurance placed on individuals, the smaller the cost of (at least) sickness insurance for the state.

If private insurance had to use uniform premiums, one potential problem is that insurance companies will try to avoid bad risks, i.e. persons with high risk. Such cream skinning makes it problematic for high-risk individuals to find insurance. If insurance companies are allowed to use differentiated premiums, insurance will be available for everyone. However, objections are usually raised against differentiated premiums on equity grounds, as a potential

³ Horizontal redistribution or distribution over the life course is another key function of the welfare state. The idea is that you pay in during your working age what you receive when young and old. Jon Kvist et al., *Changing Social Equality: The Nordic Welfare Model in the 21st Century* (Policy Press, 2012).

risk with such a system is that only individuals with low risk and/or enough resources can afford to get insured (Stiglitz 1988; Söderström and Rikner 2003). 'Most privatized systems are likely to create distributions of the relevant service that more closely reflect the market distribution of private income and wealth' (Le Grand and Robinson 1984: 11).

Regarding social risks, the private insurance market hardly ever takes the form of an individualised contract. Group insurance is a more appropriate insurance model to consider in relation to public systems of social security. Group insurance is a means by which individuals and corporate bodies obtain protection for a particular risk in the private market. If admitted to the group, the individual obtains protection as a member of a contractual sharing group, meaning that the members share or pool their risks. The principle of pooling risks is not seen as deliberately redistributive by the insurer if bad risks are charged higher premiums than good risks. In practice, if the risk rating is absent or incorrectly calculated, the good risks will always pay for bad risks. According to the type of risk covered by group insurance, the premium may or may not be determined by the characteristics of the individual. In general, the premium is set in accordance with the risk of the category into which the individual falls, i.e. by occupation, age or sex, and in this manner the insurance is uniform. Occupational insurance is a common type of group insurance and is a special kind of private insurance, as it is generally compulsory for the employee, i.e. the employee cannot contract out as is the case with individual insurance or other types of group insurance (Titmuss et al. 1974).

Risk pooling

The basic idea behind any insurance is to create risk pools to share risks and resources. As noted above, risks are unequally distributed in a manner that tends to follow the socioeconomic structure in western societies; accordingly, the homogeneity of risk pools is of importance for redistribution within them. In a system with wide bases for entitlement, a large and heterogeneous group of individuals share risks and resources, creating significant redistribution (as long as the premiums are uniform). If risk pools are made smaller and more homogenous, such as when occupational categories are the basis for entitlement, then each group has its own insurance conditions and contributions and benefits are set at a level corresponding to the average risk of the group. This means that terms and conditions are likely to differ between occupational groups. Groups with a higher risk of sickness will have less generous conditions. We can therefore expect that the individual income security offered by occupational sickness insurance is likely to be lower among blue-collar workers and occupational groups dominated by women, as such groups tend to have higher levels of sick leave than others.

2.3 The role of conflict among interest groups

Interest groups are likely to shape welfare institutions, but once in place, such institutions likely influence the long-term development of interests and coalition formation among citizens.

The institutional structure of a sickness insurance system is likely to affect the role of conflict among interest groups, as institutional structures can encourage or discourage coalition formation between, for example, the poor and the better-off or between blue-collar workers and white-collar workers, by making their interests diverge or converge. One way to make the interests of groups diverge is if the institutional structure of the sickness insurance system segments risk pools along socioeconomic lines. Divergence of interests is also nurtured through institutional structures that result in redistributive strategies, which will result in differences in interest between groups in society. For example, by targeting only the poor or by giving more to the poor in relative terms, there will be an interest conflict between the poor and the better-off, in which the latter will see no rational reason for wanting to stay in the same insurance structure as the poor (Korpi and Palme 1998).

2.4 Stratification

With stratification, I refer to the differentiation of income protection based on power or socioeconomic status. The most typical example of how construction of social insurance institutions affects stratification is when some kind of membership or occupational category is used as basis for entitlement. When separate insurance programmes are organised differently for different occupations or branches of industry, this creates stratification between occupational categories. Another kind of stratification is when groups of individuals are excluded from certain forms of insurance, making their income protection substantially worse than that of other groups. In addition, market solutions will open up for market-based stratification (Korpi and Palme 1998). A system of occupational insurance also alienates individuals who are not in the labour market, which, in most countries, puts women in a worse position than men. Occupational insurance also alienates individuals working at workplaces without collective agreements.

In summary, welfare state change is seldom without consequences. In order to understand if, and if so in what way, the risk protection of individuals is changing, it is necessary to not only study the way in which welfare state changes. Rather, it is essential to relate and discuss the results to theoretical discussions like the one just presented on how and in what way, change is likely to affect individual income security, redistribution, interest formation among groups and stratification.

3 Earlier literature – Changing welfare states

Below, I summarise and discuss the main contributions within the literature on changing welfare states in relation to the aims of the papers and the introductory chapter of this thesis, i.e. how earlier literature contributes to the understanding of changing risk protection.

3.1 Welfare state expansion and the welfare modelling business

A wealth of detailed research has generated clear analytical perspectives on factors contributing to welfare state *expansion*. There are three main theoretical approaches in the literature on welfare state development: the functionalist logic of industrialism theory, the power resources theory and the institutionalist theory (Bradley et al. 2003). According to the functionalist logic of industrialism, industrialisation creates new demands for public spending when systems of social support through the patrimonial traditions of agrarian societies or those of kinship are eroded. When individuals become increasingly dependent on wage labour, the state takes on an extended role, protecting them from falling into poverty (see, for example, Pampel and Williamson 1989; Wilensky 1975).

The power resources perspective attributes cross-national variance in social provision to differences in the distribution of political resources among classes, emphasising the role of centralised unions, strong left-wing parties, and weak or fragmented conservative parties for welfare expansion (see, for example, Korpi 1985, 1989; Stephens 1979).

The institutionalist theory is concerned with the importance of political institutions for welfare expansion. Institutionalists make two broad claims about welfare development. First, the rules of electoral competition, the relationship between the legislature and the executive, and the role of the courts are of primary importance. If political authority is fragmented, minorities will often block social legislation. Second, policy feedback or consequences of previously introduced welfare state programmes affect welfare state development (see, for example, Heclo 1976; Skocpol et al. 1988; Tsebelis 1995).⁴

⁴ New institutionalism does not constitute a unified body of thought. There are at least three analytical approaches: historical institutionalism, rational choice institutionalism and sociological institutionalism;

Institutional *variation* within welfare states has formed the cornerstone for numerous attempts to classify and typologise modes of social protection and to understand the consequences of such differences (for the classical examples, see Esping-Andersen 1990; Titmuss 1958). Other scholars suggested that certain welfare regimes had been neglected in the now conventional classification, for example, a Mediterranean model (Ferrera 1996) or an East Asian model (Goodman and Peng 1996). Others suggested that Confucian models of the welfare state in Japan, and possibly South Korea, Taiwan and Singapore combine elements of all three types of welfare regimes (Aspalter 2006; Walker and Wong 2005). It has also been pointed out that post-socialist transitions in the Soviet Union and Central Eastern European are not well represented by the tripartite model (Ebbinghaus 2012). Welfare regime analysis has also been criticised for being gender-blind (Orloff 1993; Sainsbury 1994). Korpi and Palme (1998) have a slightly different approach, basing their ideal-typical models on differences in social insurance institutions. For a recent literature review of welfare state regimes, see Isakjee (2017). The main aim of such typologies is to categorise the existing variation into a few manageable ideal types, consisting of cases with shared basic characteristics in their social policy formation.

It has, however, been stated that while ideal models are useful for identifying core similarities and differences between welfare states, welfare states may be dissimilar in their public institutions and thus have different welfare regimes but provide similar levels of income protection to citizens considering the full public-private mix of social protection. Consequently, the difference between welfare regimes as described in the literature is smaller than it appears in most comparative studies, as the results would differ if one takes into account different forms of private complementary income security systems. If collectively negotiated arrangements are considered, countries are much more similar in generosity levels and costs (Kangas 2010). It has even been stated that the traditional clustering of welfare regimes cannot be upheld when various ways of delivering welfare are included in the analysis. The largest variance between countries is thus not the total compensation level from the welfare system (even if there are differences), but rather the composition of public and private alternatives (Edebalk et al. 1996; Greve 2007; Ståhlberg 2003).

The literature on welfare state expansion and welfare modelling concern welfare state development and the understanding of differences and similarities between the welfare state. Of particular interest in this literature is the *consequences* of different modes of social protection. This focus on *consequences* of different modes of social protection will be adopted from this literature to the present thesis. However, contrary to the welfare modelling literature, the focus of this thesis is not on differences and similarities with other

foresee a summary of the approaches in Peter A. Hall and Rosemary C. R. Taylor, 'Political Science and the Three New Institutionalisms', *Political Studies*, 44/5 (1996), 936-57.

welfare systems, but rather how a particular part of the Swedish welfare state evolves over time.

The later literature on welfare state change also continues to use the now famous welfare state typologies as a reference point for understanding both retrenchment and institutional change, as shown below.

3.2 Retrenchment

In the aftermath of the boom in the welfare modelling literature, primarily inspired by Esping-Andersen's book published in 1990 that focused on the origins and development of welfare states, Pierson changed the focus towards welfare adaptation: 'If until recently observers sought to explain welfare state's inexorable expansion, the question now is how welfare states are adapting to an atmosphere of austerity' (Pierson 1994: 1). Pierson later added that there is little reason to anticipate that such essentially permanent austerity based on changes in the global economy, the sharp slowdown in economic growth, the maturation of governmental commitment and ageing populations will diminish. Rather, it is likely to intensify (Pierson 2001).

Pierson's argument is that retrenchment is a distinctive path from that of welfare state expansion and that it tends to take the form of blame avoidance rather than credit claiming. 'There is a fundamental difference between a government seeking to extend benefits to large numbers of people and one seeking to take these benefits away' (Pierson 1994: 8). In this context of shifted goals and changed political contexts, new politics of the welfare state are created and efforts to minimise the development of widespread opposition become crucial. However, the claim that retrenchment is an unpopular business for policy makers has been questioned. A number of scholars have argued that the association between cuts in social benefits and the subsequent decrease in voter shares is non-existent or at least very conditional (see, for example, Giger 2010; Giger and Nelson 2013; Schumacher et al. 2013).

Based on the Reagan and Thatcher records (Pierson 1994) and the evolution of four affluent democracies since the late 1970s (Pierson 1996), Pierson concludes that direct attacks on social programmes have generally been limited. Although benefits have been cut and eligibility rules have been tightened, the welfare state is an area of relative stability. 'Any attempt to understand politics of welfare state retrenchment must start from a recognition that social policy remains the most resilient component of the post-war order' (Pierson 1994: 5), however, adding that retrenchment efforts have varied significantly within and across policy areas.

For reform to take place, several political preconditions must be fulfilled. First, radical retrenchment may be facilitated by significant electoral slack, i.e. when governments believe that they are in a strong enough position to absorb

the electoral consequences of unpopular decisions. Second, moments of budgetary crisis may present opportunities for reform. Third, the success of retrenchment advocates varies with the chances of lowering the visibility of reform. Retrenchment advocates employ three broad strategies to minimise political resistance: obfuscation, division and compensation. Obfuscation is possibly the most important strategy and involves the manipulation of information flows to decrease public awareness of political actions or their negative consequences. This can also be done by decreasing the traceability of policy change, by shifting the burden of cutbacks to local officials or by making cutbacks automatic. The strategy of division refers to the division of potential opponents, for example, by designing cutbacks so that they affect some benefit recipients but not others. Compensation denotes a strategy of offering 'side payments' to compensate for those adversely affected by proposed changes (Pierson 1994, 1996).

Accordingly, both the welfare modelling literature and the retrenchment trajectory build on the idea that welfare states do not change much, even though the retrenchment literature added certain conditions under which change may occur. Notably, in the discussion of welfare state typologies, implications at the individual and societal levels of different institutional settings are at the centre of the argument. When the focus switched from explaining differences in welfare state construction to the development of the mature welfare state, the original focus on the implications of different institutional settings was lost. This is further emphasised below.

3.3 The dependent variable problem

In the aftermath of Pierson's seminal work on retrenchment, a scholarly debate on the subject grew. One of the main issues under debate is what has come to be labelled 'the dependent variable problem'. 'The debate about explanations of variation in retrenchment cannot move beyond the stage of hypotheses before the dependent variable problem has been addressed, and the same goes for the debate about welfare persistence or change' (Green-Pedersen 2004: 4).

There are different takes on the nature of the dependent variable problem in the retrenchment literature. Two main problems have been identified: *what* should be measured and *how* can it be measured? The first question concerns what the theoretical definition of retrenchment should be. The second question pertains to the operational definition of how retrenchment can and should be measured (Green-Pedersen 2004).

The measurement debate has mainly been concerned with whether to use micro-level indicators such as compensation rates, aggregate level measures such as social expenditures, or indicators of institutional change (Goul Andersen 2007). Each measurement has its advantages and disadvantages (for a critical review, see Kühner 2007). In terms of the theoretical definitions of

retrenchment, the problem and scholarly debate relate to whether retrenchment is the only variable required to chart welfare state change, whether retrenchment includes other later and related concepts (as discussed below), or whether such concepts are analytically distinct (Powell 2004).

Problems related to the theoretical and the operational definitions of retrenchment are generally treated as distinct matters, but Green-Pedersen (2004) argues that different research questions and theoretical perspectives should lead to different conceptualisations of retrenchment and therefore different measurements thereof. The *how* question is thus more crucial, as the question concerning data can be answered only in the light of a scholar's theoretical perspective and research questions. When Green-Pedersen scrutinised the theoretical debate on welfare state retrenchment, he distinguished between what he sees as two distinct theoretical perspectives: retrenchment as cutbacks and retrenchment as institutional change. The first perspective concerns cuts in people's welfare entitlements. Retrenchment is thus defined as changes in social security schemes that make them less generous to the recipients. The theoretical argument behind focusing on such changes is an expectation of negative reactions from the electorate. Thus, if the theoretical interest lies in how politicians are able to implement unpopular policies, focusing on such changes seems logical. With such a theoretical definition of retrenchment, several operational definitions could be used, such as social expenditure. However, there are some practical problems with expenditure data. For example, expenditure data are outcome measures, and other factors intervene between political decisions and this type of outcome. Another type of problem is related to the fact that, for example, unemployment benefits can increase due to more unemployment without any changes in legislation.⁵ Average replacement rates in social security schemes are another possible outcome measurement of retrenchment (see, for example, Korpi and Palme 2003). The main problem with such a measure is that it overlooks retrenchments such as tightened eligibility.

Retrenchment as institutional change considers retrenchment as cutbacks too narrowly, as it does not measure or take into account changes in the institutional structure of welfare schemes. The interest rather lies in retrenchment as qualitative changes in the form of breaks from basic institutional principles. The difficulty here is that it requires substantial theory to single out the institutional features, which are so central that changes in them are to be considered a structural shift or a qualitative change. Pierson has three criteria for a structural shift: 1) significant increases in the reliance on means testing, 2) major transfers of responsibility to the private sector and 3) dramatic changes in benefit and eligibility rules that signify a qualitative reform of a particular programme (Pierson 1996). Another example is to define a major shift as a

⁵ Time lag could be another problem, i.e. cutbacks may be designed to have gradual rather than immediate effects. This may be a larger problem in pensions, for example.

divergence from the welfare regime the country(ies) of interest belongs to (Clasen and van Oorschot 2002; Lindbom 2001). However, there is no straightforward definition of retrenchment as institutional change. Accordingly, qualitative methods of operationalising retrenchment as institutional change are needed.

To define what I mean by institutional change in this thesis, an analytical framework is introduced in section 4. This framework is then used to determine whether an institutional change has taken place over time.

3.4 Beyond retrenchment

Later literature, including Pierson's own writings, claim that change cannot be conceptualised as only retrenchment and that austerity cannot be taken as the only cause for welfare state change (Goul Andersen 2007). In other words, there was an urge to move beyond retrenchment.

Pierson's later work is based on an assumption that the welfare state's political strength and, accordingly, the possibilities for policy reform comprises two types. The first type concerns *electoral incentives*. Implementing and sustaining policy reforms require electoral support and voters to remain strongly attached to the welfare state. Large segments of the electorates rely (or will rely) on the welfare state to maintain an acceptable income. Such support also appears to go beyond narrow self-interest. Welfare state supporters are thus likely to fight to sustain existing benefits. The second type affecting the possibility for policy reform is *institutional stickiness*, which refers to formal and informal institutional veto points and path-dependent processes that tend to lock existing policy arrangements into place (Pierson 2001). Pierson also argues that path dependence is a social process, grounded in a dynamic of increasing returns.⁶ The dynamics of increasing returns capture two elements that are central to path dependence. First, it pinpoints how the cost of switching from one alternative to another will increase significantly over time. Second, it highlights timing and sequence, as earlier events matter more than subsequent ones. This means that, under a set of initial conditions conducive to increasing returns, a number of outcomes are generally possible. Relatively small events can have enduring consequences – if they occur at the right moment. *When* an event occurs is thus important because once an increasing returns process is established, it will be resistant to change (Pierson 2000). For a summary of positions on retrenchment, see Powell (2004).

However, Pierson's influential framework and other contributions in the welfare state literature (and the literature on varieties of capitalism (see, for example, Hall and Soskice 2001)) have been widely criticised for emphasising

⁶ These can also be described as self-reinforcing or positive feedback processes.

continuity over change. Streeck and Thelen (2005) argue that ‘the conservative bias in much of this literature—the widespread propensity to explain what might seem to be new as just another version of the old—is at least partly a consequence of the impoverished state of theorizing on issues of institutional change’ (p.1). Hacker (2005) states that ‘if there is now broad agreement on what has *not* happened to the welfare state—namely, across-the-board retrenchment—the new wave of interest in welfare state reform has not produced anything like common ground on the question of what *has*’ (p. 40). Accordingly, they argued that a general model of change is still lacking, especially one that can account for both exogenous and endogenous foundations of change.

This gap has been filled by a number of contributions. For example, Hacker (2004) argued that despite the general stability of formal policies, crucial policy change occurred in the US through alteration within existing policy bounds. Hacker notes that such changes had been overlooked in earlier studies: ‘When a policy is both easily convertible and situated in a change-conductive political-institutional setting, it is highly vulnerable to formal *revision*, whether through reform, replacement or elimination. This is the type of change with which virtually all institutional and choice-theoretical models of policy formation are concerned. It is also, quite obviously, not the normal state of affairs in welfare state politics’ (p. 247-248). He suggests three other modes of policy change. His main contribution concerns *drift*, the transformation of stable policy due to changing circumstances. Building upon Thelen (2003), he adds to this the concept of *conversion*, redeployment of old institutions for new purposes. *Layering*, borrowed from Schickler (2001), involves the creation of new policy without elimination of the old. Streeck and Thelen (2005) follow this line of thought and maintain that sharp and abrupt institutional change does not exhaust the possibilities or capture the most important ways in which institutions evolve. They suggest that there are five broad modes of gradual, transformative change, adding *displacement* and *exhaustion* to the above modes of change. Displacement occurs when new models emerge that call into question existing and previously taken-for-granted practices, i.e. the removal of existing rules and introduction of new ones. Exhaustion refers to gradual institutional breakdown over time. Noting that institutions evolve in more subtle and gradual ways over time than previously recognised, Mahoney and Thelen also use these modes of gradual change, with the exception of exhaustion in their analyses. ‘Gradual changes can be of great significance in their own right; and gradually unfolding changes may be hugely consequential as causes of other outcomes’ (Mahoney and Thelen 2009: 3).

When moving beyond retrenchment, there is an emerging consensus that welfare states in fact change very much. What appear to be marginal adjustments result in transformative change in the longer term. The post-retrenchment literature is however somewhat of a conceptual mess, where the above positions are only the main ones. More recently, Hacker, Pierson and Thelen agreed on a more common framework and language, acknowledging that they

previously treated drift and conversion as largely separate processes and that the more recent collaboration represents a unified perspective on ‘what kinds of changes propelled by what kind of actors or forces are most likely under what kind of institutional configurations’ (Hacker et al. 2013). A unified perspective by three of the main scholars within the area is of course a major step, but at the same time, this quote summarises the literature on institutional change very well. Focus has been, and still is, on kinds of changes in (state) institutions per se, and actors behind such change, but not on the *implications* of institutional change. This gap in the earlier literature is an important starting point for this thesis, as focus here is rather on the implications of institutional change.

3.5 Risk privatisation

Some scholars however pinpoint the need to bring the focus back to risk protection. Hacker maintains the importance of widening the focus from the narrowly defined welfare state to the complex mix of public and private benefits, from the income redistribution effects of social policies to their risk-spreading functions and from visible interactions to more hidden processes of change. His work is thus an argument for putting risk protection at the centre of welfare state theorising, as he argues that it will provide a different and more nuanced picture of welfare state development. Such a shift in focus requires a more genuine historical analysis, including new or worsening risks and the development of private social benefits alongside public ones. He argues that focusing on risk protection should not be too controversial, as the aim of social insurance is to spread the risk of costly life contingencies that are considered to be a collective, rather than a private, responsibility. The way social insurance is constructed determines the degree to which threats to income are spread among citizens of varying circumstances (risk socialisation) or left to individuals or families to cope with on their own (risk privatisation). To privatise risk thus means weakening collective insurance pools that offer reduced-cost protection to citizens with high risks and low incomes, in favour of arrangements that leave individuals and families responsible for social risks largely on their own. There are three ways in which the boundaries of such collective risk pools can be changed. The first is to change the rules of eligibility or benefits. This is the subject of most analyses of retrenchment. A second and more subtle way is to study the transformation of rules into outcomes. For example, do all eligible individuals receive the benefits specified by law? A third source of change is a shift in the risk itself. Either because new risks arise that fall outside the established shared responsibility or risks that are covered by insurance can become more severe, leading to an effective decline in protection (Hacker 2004, 2005). This thesis focuses on the first two possible ways of change. The case (Sweden) is, however, quite different in terms of

welfare state arrangements from the case of the US, which is what Hacker focused on.

The development of complementary pillars of social protection is a clear case of risk privatisation.

The emergence of such multi-pillarisation, i.e. a changing institutional landscape with an increased importance of different complementary benefits provided by occupational and personal arrangements, and where the relative functions of the respective pillars are changing, or a significant shift in the functions between pillars, entails a more fragmented social protection system. As described in section 2, compared to compulsory insurances, complementary protection provided by group-based or individual insurances have stronger actuarial principles between the risk level and the premium, thus raising the issue of accessibility for high-risk individuals. Also, group-based or individual insurances involve more limited risk pooling and weaker redistributive mechanisms (Lindellee 2018).

An important point to make is that a multi-pillarisation of a social insurance system entails greater responsibilities for individuals in ensuring an adequate level of protection against risks. In terms of private schemes, the connection is obvious, it is an active choice to decide whether to get insured (for a specific price connected to the own risk level), or not. In terms of group insurance through collective agreements, the choice rather pertains to choosing the right sector in which to work (Lindellee 2018). 'The outcomes of a multi-pillar system of social protection hinge greatly upon the strategies adopted by individuals, as well as their knowledge and ability to navigate the system' (Lindellee 2018: 6).

Scholars of social policy have mainly focused on the role of the state, whereas economists have been more inclined to see welfare provision as a mix between different institutions (Barr 1993; Goodin and Rein 2001) and/or as a matter of insurance principles (Barr 2001). 'Undoubtedly one of the most important directions of change is the shifting responsibility for welfare from state to non-state actors (...) These institutional changes are highly significant in many welfare states, but it should be recalled that pure state welfare has always been rare. To assess such changes, we need a governance perspective that takes into account not just public welfare but also collective arrangements and a variety of intermediary forms. The most important question to ask regarding such changes, however, is how they affect outcomes' (Goul Andersen 2007: 17). As described above, the inclusion of non-state social responsibilities is particularly important in a risk/insurance approach. In terms of the management of risks, risk coverage and risk pooling are important factors. In terms of risk coverage, which risks are covered by the state or by some other collective agreement and how adequately? In risk pooling, how much separation is there between risk groups and social strata? From this perspective, the main question does not concern whether welfare is provided by the state or by other

collective arrangements but rather risk coverage and risk pooling. Both are generally but not necessarily narrower in non-state arrangements (Barr 2001).

However, the inclusion of non-state responsibilities is not new. Titmuss first presented the now-famous social division of welfare (SDW) during a lecture at Birmingham University in 1955, challenging the stereotypical understanding of welfare as being equal to public welfare and replacing it with three systems of welfare: public, fiscal⁷ and occupational welfare. Occupational welfare covers benefits received by an employee through or as a result of their employment over and beyond the public benefits such as national insurance (Sinfield 1978). One main point of SDW was that the narrow focus on public welfare encouraged the idea that 'the' welfare state simply provides benefits for the poorest at the expense of the middle classes, failing to note the growing scale and distributive tendencies of occupational and fiscal systems and the ways in which they often ran counter to the distributive directions of the public welfare system. According to Titmuss, this occurs because the value of fiscal and occupational benefits varies greatly by employment sector, social class and status of the individual (Mann 2008; Titmuss 1958).

Welfare scholars still refer to Titmuss' *Essays on the Welfare State* (1958) in which he elaborated on the social division of welfare; however, despite its stated importance for the understanding of who benefits from the welfare system as a whole, surprisingly little theoretical and empirical attention has been paid to occupational welfare since then. Most of the literature in the area still focuses on public welfare (Greve 2007). Research on occupational welfare is scarce (Farnsworth 2004; Greve 2007; Natali and Pavolini 2014; Sinfield 1978, 1994; Ståhlberg 2003). Most of the focus has been on occupational pensions (Ebbinghaus 2011; Rein and Wadensjö 1998; Shalev 1996), although there are studies on unemployment benefits and/or sickness benefits (Järvi and Kuivalainen 2013; Sjögren Lindquist and Wadensjö 2007, 2011), disability benefit (Yerkes and Tjidsens 2010) and newer social risks, such as family policies and work-life arrangements (Seeleib-Kaiser and Fleckenstein 2009; Yerkes and Tjidsens 2010). In comparison with the scholarly work on public welfare, there is limited amount of literature.

One reason for neglecting occupational welfare has been 'the perception that occupational welfare plays a relatively insignificant role' (Farnsworth 2004). Such a perception is likely due to the scarcity of reliable data and limited number of studies. This is mainly because data on occupational welfare

⁷ Fiscal welfare refers to benefits available through tax systems, i.e. allowances and reliefs from income tax. The main forms are tax allowances (amounts deducted from gross income), tax exemptions (income excluded from the tax base) and preferential tax rates (income taxed at lower rates). Adrian Sinfield, 'Fiscal Welfare', in Bent Greve (ed.), *The Routledge Handbook of the Welfare State* (Routledge, 2012).

are difficult to obtain, making analysis difficult and/or very time consuming. In addition, the fragmentary nature of occupational schemes (Greve 2007; Ståhlberg 2003) and the fact that the private solutions vary both in type and extent complicate the analysis. Since I have found ways to overcome the problem of scarcity of reliable data in terms of Swedish sickness insurance, this thesis adds to the understanding of the ongoing multi-pillarisation in the Swedish welfare state.

3.6 Summary of comments on the literatur and my approach

In the same way as the welfare modelling field, convincible has reasoned that differences in the organisation of protection against social risks (the institutional framework) affect redistribution (through the public/private mix and risk pooling), the role of conflict among interest groups, stratification and individual income security, I argue that *changes* in the organisation of risk protection (institutional change), have implications in the same areas (figure 1).

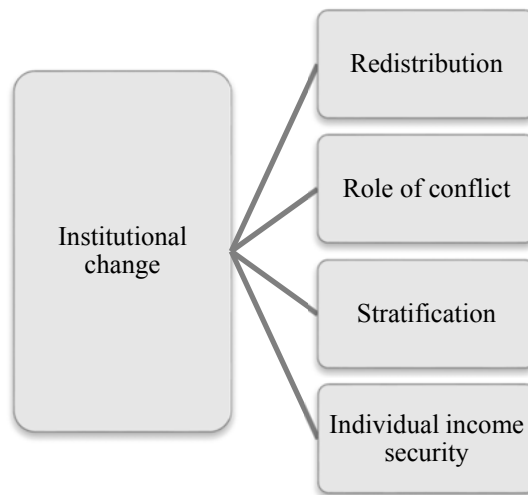


Figure 1. Implications of institutional change

As described in section 3, such reasoning has been fairly absent in the literature on institutional change. The literature is concerned with different types of change and the circumstances under which change takes place. As a response to this fact, the main focus of this introductory chapter is not institutional change per se, but rather its implications. This analysis is based on the results of the empirical papers included in this thesis. The focus of these papers is on

risk protection, considered from different viewpoints. As argued by Hacker, the degree of privatisation of risk can be changed in three ways: 1) changes in eligibility or benefit rules, 2) through transformation of rules into outcomes, or 3) changes in the risk itself. Therefore, distinguishing between formal policy changes and changes that occur without formal revision is necessary (Hacker 2005). Hacker's first suggested way for change is the basis of the first paper in this thesis. In paper I, I examine how Swedish sickness insurance has developed, in terms of formal policy changes by categorising and analysing every change in compulsory sickness insurance in Sweden passed from 1955–2017.

Here, I view retrenchment as cutbacks, as the main interest lies in how politicians implement unpopular policies. I argue that policy changes such as changing replacement rates or the number of waiting days are interesting in their own right but that such a focus does not rule out a discussion of retrenchment as institutional change. To determine the institutional features, which are so central that changes in them should be considered a structural shift or a qualitative institutional change, I developed a framework to understand the institutional structures of social insurance (see section 4 of this introductory chapter). This framework identifies the main institutional features of different social insurance systems, and if the empirical results indicate a shift in any of these dimensions, I argue that such a change qualifies as a qualitative institutional change. The framework is also used to understand the magnitude of the policy changes studied in paper II, as the framework also takes into account changes outside of public welfare.

The value of going outside the scope of public welfare is important for several reasons. First, I emphasise the risk of being limited by what we know about different welfare regimes when creating research designs. If one wishes to study eventual institutional changes, it is essential to have a research design that allows for the detection of such changes. One crucial step in this direction is to move outside the scope of public provision. Although we assume public provision to be of outmost importance in a social democratic welfare regime, we cannot rule out other forms of provision before including them in the empirical analysis. Papers II and III are based on the argument that change in public welfare is not sufficient to understand how welfare states evolve. In this manner, paper I serves as a reference point for how the Swedish sickness insurance is understood when *not* moving outside the public arena. Second, a focus on risk protection requires the inclusion of private social benefits with public ones. Lastly, occupational benefits have been comparatively neglected in earlier studies in the welfare field. Paper II therefore focuses on the interaction between public and collectively negotiated sickness insurance over time, enabling an empirical study of policy drift by examining how much individuals in different typical cases (based on occupational group and income) receive from public and occupational sickness insurance during periods of disability pension and how this has changed over the last 30 years. In this paper,

I study a combination of changed rules of replacement rates (Hacker's (2005) first point) and the transformation of rules into outcomes (his second point). In paper II, I look at retrenchment as institutional change. The evaluation of institutional change is based on a qualitative assessment, but to better explain the basis for such a judgement, I use the framework mentioned above to discuss institutional change in this introductory chapter.

Paper III concerns the subtler and often neglected way of changing the boundaries of collective risks, namely, the transformation of rules into outcomes. As argued by Hacker (2005), one way of doing this is to examine whether eligible individuals receive the benefits specified by law. In paper III, I study the non-take-up of benefits specified in collective agreements from 2007–2014. Paper III thus takes a different approach, as the level of change being empirically studied is outcomes, in terms of non-take-up. It is crucial to consider the ensemble of institutions and in particular collective agreements between social partners in terms of outputs, as such often have the same material impact as laws on social insurance. In this paper, the focus is on occupational benefits. A focus on implementation is important, as there may be a gap between formal requirements and actual practices (Goul Andersen 2007).

4 Understanding changing social insurance institutions

As mentioned earlier, it requires substantial theory to single out the institutional features that are so central that changes in them are to be considered a structural shift or a qualitative change. Some scholars define a major shift as a divergence from the welfare regime the country(ies) of interest belongs to (Clasen and van Oorschot 2002; Lindbom 2001), whereas, for example, Pierson has set up criteria for a structural shift (Pierson 1996). As qualitative methods of operationalising institutional change are needed, an analytical framework is here developed and used to define whether or not an institutional shift has occurred. A good starting point for such a framework is the issue of targeting versus universalism and the guiding principle determining the level of benefit, originally used by Korpi and Palme (1998) to construct ideal-typical models of social insurance institutions.

The bases for *entitlement* and *benefit level* principle do not however comprise a sufficient analytical framework for the aim of this thesis. The main reason is that I want to use the framework to analyse the development of compulsory insurance and institutional change outside the scope of the state pillar.

In terms of privatisation, three aspects tend to be in focus; *regulation*, *production* and *financing* (see, for example, Andersen and Molander 2003; Le Grand and Robinson 1984). The aspect of *regulation* refers to different pillars included in an insurance system. This aspect is somewhat different from other aspects, as it corresponds to the main actors or pillars in the system as a whole. As the main regulators, state, collective agreements and private insurance companies thus correspond to public, occupational and private insurance systems. Notably, in most states, these pillars exist simultaneously. Therefore, changes in this aspect shift the balance, i.e. one tier increases or decreases in importance in comparison to another over time. However, such a shift is likely to be spurred by changes in the other aspects. The aspect of *production* exemplifies how insurance may be provided and administered. Financing is somewhat silent in the framework used by Korpi and Palme (1998). For example, tax-financing is implicitly but never explicitly assumed as the mode of financing if citizenship or residence is the basis for entitlement in insurance. For the sake of clarity, financing is considered here as its own aspect.

These aspects result in a framework for understanding institutional structures of social insurance (see below). The framework can be a useful structure

to analyse institutional change, as it enables understanding of what aspect is changing, either in terms of development over time *within* each pillar or in the balance between pillars, thus allowing for a discussion of the implications of the change. Notably, the division below is based on commonly existing empirical combinations. Hypothetically, the number of combinations is greater.

Some scholars have instead focused on changes in fundamental principles underlying social security benefits such as need, universalism and reciprocity (see, for example, Clasen and van Oorschot 2002). I, however, argue that the framework provided above could be used also as a base for discussions of changes in such principles. Need and reciprocity are here mainly represented by changes in entitlement and benefits. Depending on the definition of universalism, the concept could probably be captured by most of the above dimensions. And this is exactly what I see as an advantage with the framework presented in table 2 in comparison with discussions on changing principles; that it becomes easier to detect whether a change has occurred or not, as the concepts used here are easier to operationalise. For example, I argue that it is easier to establish whether there has been a change in the entitlement principle (for instance, a change from residence to occupational category) than what it is to establish whether a fundamental change has occurred in terms of, for example, reciprocity or universalism.

To sum up the analytical framework for understanding institutional structures of social insurance in this thesis, the aspect of regulation discerns different pillars of insurance protection, and the categorisation production exemplifies how insurance can be provided and administered within particular pillars. Financing defines how funding for the programme can be maintained. The basis for entitlement concerns the issue of targeting versus universalism in the insurance system. This aspect includes qualitatively different criteria, indicating whether entitlement is based on proven need through a means test, residence (or citizenship) in a country, contributions to the financing of the programme (by the insured individual or by the employer through labour force participation), or belonging to an occupational category or other membership organisation. The benefit level principle refers to the extent to which the sickness insurance system replaces lost income. This variable includes means-tested minimum benefits, flat-rate benefits given equally to everyone, and earnings-related benefits (Korpi and Palme 1998). However, each type of benefit can also be set at different levels, that is, minimum and flat-rate benefits can be set as high or low, and earnings-related benefits can be related to earlier earnings to different degrees.

Table 1, Framework for understanding institutional structures of social insurance

Regulation	Production		Financing		Entitlement	Benefits
State	Universal state Regional sickness benefit funds State corporatist	Tax Contributions employers and/or insured persons Interest from funds	Citizenship/residence Labour force participation Proven need	Minimum Flat-rate Earnings-related		
Collective agreements*						
Private insurance companies						
	Corporatist bodies Private insurance companies	Contributions employers and/or insured persons Interest from funds	Occupational category	Flat-rate Earnings-related		
	Corporatist bodies Private insurance companies	Contributions individuals and/or insured persons Interest from funds	Membership	Flat-rate Earnings-related One-time payment		

*Can be compulsory or not.

In section 2, I argued that the institutional structure within a system affects redistribution (through the public/private mix and risk pooling), the role of conflict among interest groups, stratification and individual income security. Of the aspects included in the framework, which are largely interrelated, I argue that changes in terms of regulation, entitlement and benefit clearly have implications at the individual and societal levels. Changes in production or financing are more illustrative to explain how it is all connected; for example, a universal state is a prerequisite for a tax-based system, which is a precondition for citizenship/residence-based entitlements.

In conclusion, if the empirically identified changes signify a shift in any part of the framework, I argue that this should be considered an institutional shift.

5 Methodological approach

Institutional development can be studied using at least three different empirical approaches. A first approach to study institutional development is through examination of the formal regulations of a system and changes that occur (legal perspective). Such 'legal' perspective has the advantage of documenting intended policy change (Clasen and van Oorschot 2002). A second approach is to study what the formal rules signify for *different* typical case individuals or groups and changes therein (which I call a typical case perspective). A third approach is to study how a system functions in practice and changes thereof (which I call a practice perspective). As there are reasons to believe that the understanding of institutional development differs depending on the perspective and study design chosen, each of the three papers in the thesis uses one of the above approaches (within certain well-defined areas).

In paper I, I use a legal perspective. In paper II, I use a typical case perspective and finally, in paper III, I use a practice perspective. The results of these studies are discussed in this introductory chapter, with a focus on risk protection and the implications of change in terms of redistribution, the role of conflict among interest groups, stratification and individual income security. In this way, I demonstrate how our understanding of change and its implications changes based on the methodological approach used.

Studying formal, compulsory regulations is arguably the most common way to analyse institutional settings and their development. Most existing databases are based on different statistical indicators of countries' compulsory insurance systems. The two most comprehensive systematic efforts to provide comparable information about national welfare programmes around the world are the Social Citizenship Indicators (Korpi and Palme 2007) and the Comparative Welfare Entitlements Dataset (Scruggs and Allan 2006; Scruggs 2014). It is therefore interesting to discuss the results of the first paper (as this is methodologically closest to most other studies) in relation to the results found using the two latter approaches.

The reality for people in an insurance system may however differ from our understanding when studying only formal rules. For example, changes in formal rules may not necessarily result in the expected effect. Change can also occur without changed rules. Although the rules may formally remain the same, the impacts of these rules may change if the external conditions change. The impact of existing rules may change due to shifts in the environment, so-called drift. If social actors do not respond to such changes in the environment,

their inaction may cause substantial institutional change (Mahoney and Thelen 2009). Formal rules may also affect different groups of individuals in different ways.

Another possibility is that systems do not work as planned. In an ideal situation, a benefit scheme is implemented effectively; all those entitled receive benefits, and there is no abuse of rights. In reality, however, ineffectiveness occurs both in terms of the overconsumption (misuse) and underconsumption of rights (non-take-up) (van Oorschot 1998). The understanding of the system may thus change if one studies the unintended consequences and how the system works in practice in addition to how it is supposed to work.

5.1 Data materials and limitations

Using these three different empirical approaches, the three papers consist of different data materials. The data were collected for the purpose of writing this thesis. A large part of the time creating this thesis was thus spent on data collection, coding and analysis. My hope is that it was a wise choice to collect new data (three times), as working with available (or easily accessible) data would have limited the understanding of the development within Swedish sickness insurance. In addition, different methods were used in the three studies.

Below, I briefly describe the different types of data materials and methods used in the three studies. I also comment on the main limitations with the data materials and the compromises I had to make in terms of the balance between being able to study what I am interested in and what is feasible to achieve within the frames of a PhD thesis. However, more detailed descriptions of methods used, and difficulties confronted during the process of collecting and analysing the data, are found in each separate study.

In paper I, all changes in public sickness insurance since its introduction in 1955 to 2017 were compiled, and the government bills in which the changes originated were identified. From this material, each change was coded into different policy instruments, i.e. ways in which sickness insurance policies may change. I also coded whether the reform implied a cutback or an expansion in citizens' social rights, the government in power and the state of the economy during the particular year.

The coding of changes in these different ways was not without difficulties. The coding of changes into different policy instruments started out by using the operationalisation of policy instruments from comparative studies, i.e. net replacement rate, duration of benefit and coverage of relevant population groups, and thus sorting the previously passed policy changes into these categories. Passed policies not fitting into any of the existing categories were initially defined as 'other'. In the next stage, changes that were similar to each other were grouped together, for example, changes in terms of regulations for

complementary insurances; hence, new policy instruments were defined in this manner. In some cases, demarcation problems were more difficult to solve, for example, between ‘criteria for benefit’ and ‘criteria for maintained benefit’. These two policy instruments were defined as one group to start with. Later it became obvious that there is a clear distinction between the criteria to be eligible for benefit and the criteria needed to be fulfilled in order to maintain a benefit. At the end, there were still a few changes left which had no connection to the defined instruments or to each other. These were therefore placed into a category simply called ‘other changes’ at the end. Also, defining a particular change as a cutback or expansion is not necessarily an easy task. In a few cases (seven in total), I found it impossible to make such coding. These changes were accordingly coded as neutral. The changes coded as neutral are not included in the analysis. Notably, whether a policy change entails an expansion or reduction in generosity does not provide information about the magnitude or importance of the change (Jensen et al. 2006). Some changes had a greater impact on benefit generosity than others, but as the aim of this paper was to provide an overall understanding of the usage of policy instruments, all passed changes were treated equally. The possibility of weighing policy changes in accordance with their importance was viewed as being too heavily dependent on individual interpretation.

The basic idea with this study was to study the complete period of the existence of compulsory sickness insurance. As disability pension is included in the analysis, and as this benefit earlier was part of the pension system, it could be argued that changes thereof should be analysed since 1913 when the compulsory pension system was introduced. However, as the focus of the thesis is set on the sickness insurance and because of the workload and the difficulties involved in identifying such early changes, the decision was made to use 1955 as the starting point for the analysis of changes, both in terms of sickness benefit and disability pension.

In paper II, the data consist of official replacement rates from public and occupational insurance from 1982–2013. The data were structured into monthly observations, as changes to the rules do not necessarily take place on an annual basis. Replacement rates and yearly ceiling levels in public sickness insurance are easily available. Replacement rates in occupational sickness insurance are generally available for the current year, and rates for earlier years are found in the yearly agreements between the labour market partners. For each year, agreements on collectively negotiated sick pay and collectively negotiated sickness insurance were collected and compiled for the four major labour market sectors of the Swedish labour market. This material was used to calculate *actual* replacement rates from public and occupational sickness insurance for five different labour market groups and income groups therein. For the latter, yearly income statistics for different labour market groups were accessed from Statistics Sweden (SCB). The data were complete except for income statistics for the beginning of the study period for blue-collar workers.

‘Replacement rates do not just exist ready-made ‘out there’, waiting to be discovered. Instead, establishment of replacement rate data involves numerous decisions on coding principles that together form a set of rules informing data collection’ (Ferrarini et al. 2013: 1251). This is, of course, true also in the case of this study. In comparative analyses of replacement rates, it is important to take the taxation of benefits into account. Accordingly, net replacement rates are the most commonly used indicator in comparative research (Ferrarini et al. 2013). However, as changes in net replacement rates can be caused by either legislative changes in social insurance frameworks (and collective agreements in this case) and changes in income tax schedules (Korpi and Palme 2003), and the interest here lies solely in the former, gross replacement rates are used in this study. Also, as the study covers only one country, there is no need to calculate net replacement rates for the sake of comparison.

In paper III, the focus is on the non-take-up of occupational sickness insurance, in order to investigate whether there is discrepancy between how the system is supposed to work and how it actually functions. The data consist of every period of paid disability pension from public sickness insurance and corresponding spells of occupational benefits for public employees from 2007–2015. As Swedish occupational sickness insurance allows the identification of the eligible population and eligible non-claimants using detailed administrative data, common problems in the field of non-take-up such as misreporting, recall and measurement errors in survey data are avoided. The raw data were provided by the Swedish Social Insurance Agency and the two insurance companies handling occupational sickness insurance for public employees. The study population consists of every period of disability pension longer than 30 days that started between 2007 and 2014, namely, 26,744 periods of disability pension. Non-take-up and differences between groups are identified through descriptive statistics and OLS regressions. This is the first time that non-take-up of occupational sickness insurance has been studied using longitudinal individual data from companies that handle the insurance.

The study is based on data for the public sector only. The original idea was to cover the whole labour market. However, the identification of both claimants and eligible non-claimants with individual, longitudinal administrative data requires identification of a study population consisting of *only* individuals covered by occupational sickness insurance. The coverage rate is 94 per cent for blue-collar workers (Kjellberg 2017), and it is not possible to discern individual coverage of occupational sickness insurance in the data on privately employed blue-collar workers. In terms of privately employed white-collar workers, on the other hand, the coverage rate is 78 per cent (Kjellberg 2017). But for this group, the data is set up in such a way that identification of individual coverage is possible. However, the insurance company covering privately employed white-collar workers did not agree to share their data with

me because of the administrative cost associated with it. Hence, the identification of both claimants and eligible non-claimants is only possible for the public sector; accordingly, only the public sector is included in this study.

Occupational sickness insurance consists of occupational sickness benefit and occupational disability pension, and I have data on both benefits. Due to space limitations, however, only occupational disability pension is included in this thesis. This choice is primarily based on the fact that a disability pension generally⁸ is lifelong. Non-take-up is thus arguably more severe in this case than for sickness benefits. The results are however very similar for both benefits (Grees 2018).

5.2 The Swedish case in a comparative perspective

The focus of this thesis is on Swedish sickness insurance. As mentioned earlier, the risk of illness, together with ageing, are basic features of the human condition as (almost) everyone by certainty will become ill during the course of a lifetime and eventually become old. Sickness insurance and old age pensions are thus important for all citizens. Sickness insurance and pension insurance programmes also tend to have the same institutional structures; moreover, both systems correspond well to the Swedish model, i.e. an encompassing institutional model (Korpi and Palme 1998). The unemployment insurance in Sweden follows a different design – the voluntary state subsidised model (sometimes called the Ghent-model). Sickness insurance and pensions insurance programmes thus tend to have a major economic impact in the life of most individuals. As pensions have been the major focus in the literature on welfare states, particularly in the case of occupational welfare (as described in section 3.5), the focus of this thesis is on the sickness insurance system in Sweden.

There are both advantages and disadvantages with such a single case study approach based on Swedish sickness insurance. Because of difficulties in carrying out experimental studies in the social sciences, comparisons between countries over time is a fruitful strategy to improve causal analysis of central processes in modern societies (Ferrarini et al. 2013). However, in areas where we still know very little, and where data availability traditionally has been scarce, descriptive studies are equally important for the understanding of welfare state development. The occupational pillar of social security is a prime example of such an area. But also in areas where comparative studies are common, I do believe that new and other types of findings are to be made if the aim is explorative rather than focused on generalisability. In other words, there

⁸ New rules from 2008 eliminated the possibility to grant disability pension to persons with long-term reduction in working capacity. Since then, disability pension can only be granted to persons with *permanently* reduced working capacity.

are things to be found in the details, and the only way to get down to such a level is through an exhaustive investigation of a single case. This however calls for a brief discussion on how to understand the empirical case studied. In other words, what kind of case is the Swedish welfare state, and in particular, the sickness insurance system and accordingly, how are we to understand the results of this thesis?

Swedish sickness insurance is built up in the same way as most social security systems in the social democratic welfare regime; it is mandatory, universal and uniform, meaning that it does not differentiate according to risk. It is financed by earnings-related contributions, i.e. fixed percentages of wages paid by the employer that are ultimately borne by the employee. The official replacement rate in Swedish public sickness insurance is 80 per cent of income, and there is no maximum duration for how long the benefits can be paid. However, the 80 per cent rate applies only to income up to a ceiling of SEK 28,000 (EURO 2,700) per month. Income above this ceiling is not covered by public insurance. Individuals whose working capacity is *permanently* reduced can receive a disability pension of 64 per cent of income from the public system to compensate for loss of income. Individuals who have had low income or no income can receive a disability pension at the so-called guarantee level, which is tax-financed. The public sickness insurance is handled by a central governmental agency.

Public sickness insurance is complemented by occupational sickness insurance. Occupational insurance schemes in Sweden are quasi-mandatory, as the mandate is not a legal requirement imposed by the state but rather the outcome of contractual agreements between employers and labour market unions (Ståhlberg 2003). Approximately 90 per cent of all employed individuals in Sweden are covered by occupational insurance because insurance coverage is mandatory for everyone employed at a workplace, where there is a collective agreement (independent of individual membership in a labour union). There are four major agreements in the Swedish labour market, covering privately employed white-collar workers, privately employed blue-collar workers, central government employees, and staff employed by municipalities and county councils. The coverage rate is 100 per cent within the public sector, 94 per cent among private blue-collar workers and 78 per cent for privately employed white-collar workers. The coverage rates of the collective agreements have been fairly stable over the last 15–20 years, although the coverage rate for the private sector has decreased slightly since 2008 (Kjellberg 2017).

Occupational sickness insurance complements public insurance in two ways. First, it raises the compensation level, in general to 90 per cent of income during sickness benefit and to 79 per cent for disability pension. Second,

occupational insurance also compensates for income above the ceiling to varying degrees.⁹ However, since there are four separate collectively negotiated agreements, their terms differ, and benefits are provided by different private insurance companies. The benefits are income-related and financed similarly to public insurance, through fixed percentages of wages paid by the employer (Ståhlberg 1997).

According to the above, the Swedish case is peculiar in an international comparison. First, because the compulsory system is strongly encompassing, and in Esping-Andersen's words – a typical social democratic welfare state. This means that the Swedish sickness insurance must be understood as a case where cutbacks in the compulsory system have smaller implications, in terms of stratification than in other types of welfare state settings, mainly because of the universal coverage and earnings-related benefit system. Second, because the coverage of occupational sickness insurance is unusually high by international standards, and because the collective agreements are more homogeneous than in most other countries, the existence of non-take-up occupational benefits will have larger implications in terms of stratification than in other welfare state settings.

Also, Sweden is an ideal-typical 'mature welfare state'. Popular support for its institutions and policies is strong (Svallfors 2004), and the expansion of the welfare state has produced its own constituency in the form of numerous strong interest groups. In such a setting, change is not expected to come about easily. Accordingly, Sweden is in many ways a least likely case for institutional change (Bergh and Erlingsson 2009). This is a stark contrast to the most likely cases for change – the liberal welfare models with right wing (Reagan and Thatcher) governments, on which Pierson (1994) based his original analysis of retrenchment.

⁹ All agreements compensate for income above the ceiling, except the agreement for privately employed blue-collar workers.

6 Three studies on changing Swedish sickness insurance

The main objective of this thesis is to put risk protection at the centre of welfare state theorising when examining evolving welfare systems. I argue that this signifies a shift in focus from the traditional focus on change in its own right to the consideration of the consequences of change, primarily in terms of redistribution, the role of conflict among interest groups, stratification and individual income security. The three papers included in this thesis all focus on risk protection from different viewpoints, but this is not necessarily their only or even the main objective, as summarised below. Rather, this is the main purpose of this introductory chapter. In the concluding discussion of this introductory chapter, I analyse the results of the studies from the viewpoint of institutional change and changed risk protection.

6.1 Paper I – Policy instruments and the politics of the welfare state

The main argument

The paper *Policy instruments and the politics of the welfare state: Policy change in Swedish sickness insurance 1955–2017*, centres around an argument that the distinction between the ‘new politics’ and ‘old politics’ approaches, is no longer a fruitful way forward to increase the understanding of welfare state development. By combining basic arguments from both approaches, I suggest a more elaborate understanding of welfare state change, where the focus is on *how* change in welfare systems can occur and in that way increase the understanding of the connection between policy instruments and party politics. Three questions are posed in the paper: First, by which policy instruments have changes been made? Answering this question initiates a discussion on how well conventional indicators of benefit generosity reflect the policy instruments available. Second, when in government, do political parties differ in their direction of change and, of primary interest, do they use different policy instruments (modes of change) in reforming Swedish sickness insurance? Thirdly, *how* has the Swedish sickness insurance model evolved over time?

By looking closer at the nearly one hundred policy changes that have been passed to Swedish public sickness insurance throughout its more than 60 years long history, I first show that the era of austerity has been more about expansions than cutbacks. I also demonstrate that twelve different policy instruments were used to change Swedish sickness insurance. Conventional measures in comparative studies of benefit generosity have however only been based on replacement rate, maximum duration, waiting days and qualification period, which implies that potentially important modes of change tend to be excluded. This is particularly true concerning eligibility/qualifying conditions, where conventional measures only catch a fraction of the ways in which schemes can evolve over time.

Also, political parties in government show different propensities for how they change sickness insurance. Only left-wing governments have made expansions of any kind in replacement rates. Other than that, the major difference between left-wing and centre-right governments has to do with how they retrench the system, in particular during periods of strong economy, where centre-right governments are introducing a statistically significantly larger number of cutbacks than their left-wing counterparts. This is true also when looking at different policy instruments separately, the exception being in terms of duration of benefit. During periods of strong economy, centre-right governments are using compensation strategies, i.e. ‘side payments’ to those adversely affected by cutbacks, to a larger extent than their left-wing counterparts.

Concerning evolvement of the system, changes implemented made the system more encompassing in all respects up to 1979. When entering the Era of Austerity and thus expected retrenchment, a lot of cutbacks were implemented, but so were a lot of expansions. Despite changes decreasing benefit generosity, the system is still based on earnings-related benefits without means-testing, in a universal framework, thus fulfilling the aspects of what Korpi and Palme (1998) call an encompassing welfare state.

Contributions

To the best of my knowledge, no cumulative analyses of changed regulations in Swedish sickness insurance have been made for the entire period that the encompassing sickness insurance has existed. Earlier studies, both comparative and single case studies, tend to be concentrated on a number of years and/or based on changes to only one or a few indicators, for example, replacement rates, duration or coverage, or based on rougher indicators such as total expenditure. The paper demonstrates that during the present era of austerity, more expansions than cutbacks have been passed to Swedish sickness insurance, thus questioning the general focus on retrenchment within the ‘new politics’ approach. A traditional focus on cutbacks thus risks missing large parts of the policy development in the era of austerity.

Also, in contrast to the literature on welfare state change, in particular to the strand within the literature focusing on country comparisons of benefit generosity, this study focuses on a single case. Thus, it is shown that a fairly large amount of policy instruments has been used for transforming Swedish sickness insurance. Notably, several of the main forms of change are not captured by the conventional operationalisation of benefit generosity. Consequently, some of the most important ways in which an insurance system can develop are not caught in comparative studies on social policy change. It is also shown that political parties not only differ in their propensity to change in different direction, but they also change benefit generosity by using different kinds of policy instruments. With information about more detailed policy instruments, hypotheses about the connection between political parties and policy instruments and accordingly on how and why change occur, are formulated for future tests in comparative analyses.

6.2 Paper II – Stratification in changing Swedish sickness insurance

The main argument

The paper *Stratification in Changing Swedish Sickness Insurance* proposes an analytical approach that captures gradual institutional change in mature welfare states. The approach considers both public and occupational provisions of income security and investigates differences between diverse groups on the labour market, various income levels within such groups, and changes over time. The analytical approach is applied to the empirical case of the Swedish sickness insurance, for which new data covering the last 30 years have been collected. Two research questions are focused on: To what degree does Swedish public sickness insurance and collectively negotiated occupational sickness insurance replace former income? To what degree does income protection (in terms of replacement rates) during periods of sickness depend on labour market group and income level?

The results show that the insurance still offers generous replacement rates but that there has been an institutional shift in the provision of income protection. The earlier system of universal public provision that was highly related to former income has developed into a system in which this is only the case for low-income earners. Most groups with higher salaries depend on occupational insurance to have de facto income-related protection. As occupational insurance is increasingly important, the basis of eligibility is thus moving towards a combination of belonging to a specific occupational category and earlier contributions. Also, as occupational insurance differs between workplaces, the system of income protection during sickness now varies significantly between groups in society.

Contributions

This paper makes two contributions to the field of welfare state research. First, it demonstrates that a different and more elaborate analytical approach is needed to capture the gradual institutional development of the mature welfare state. Such an approach considers the public and occupational provision of income security and investigates differences between diverse groups on the labour market and income levels as well as changes over time.

Second, to apply the analytical approach to the empirical case of Swedish sickness insurance, data on income replacement rates from public and occupational sickness insurance were collected and compiled for five labour market groups for the past 30 years – privately employed white-collar workers, privately employed blue-collar workers, central government employees, municipality employees and county council employees. Within each labour market group, income replacement rates are calculated for groups varying by income. Based on these data, it is possible to study the institutional development of Swedish sickness insurance since the 1980s, on a monthly basis for each year. This article makes an important empirical contribution to the understanding of the institutional development of Swedish sickness insurance because such data have not been previously compiled and displayed.

6.3 Paper III – Insured but without benefit

The main argument

The basic idea of the paper *Insured but without benefit : Non-take-up in Swedish occupational sickness insurance* is to study how Swedish sickness insurance works in practice. In most studies on the welfare state, it is assumed that insurance systems function the same in practice as they do in theory. However, this is not necessarily the case and, as argued below, this is not the case with Swedish occupational sickness insurance.

Swedish sickness insurance has been undergoing a transformation from an encompassing public welfare system towards a greater dependency on collectively negotiated occupational welfare. Today, most people depend on both systems to secure income-related benefits. With the increased importance of occupational insurance, the ability to secure the take-up of such benefit is increasingly important.

This study uses longitudinal individual data to investigate the actual usage of occupational sickness insurance in the public sector in Sweden, as this is argued to be a key aspect for understanding the evolving stratification in terms of income protection in society. The non-take-up of occupational benefits is approximately 17 per cent of every disability pension period. Individuals with low income, young people, men and individuals with mental and behavioural disorders miss out on occupational benefits to a larger extent than other

groups, causing a new basis for stratification of income protection. Future research should accordingly be careful when assuming that occupational systems work as well in practice as they do in theory.

Contributions

The paper makes contributions to the field of welfare state research and to the field of non-take-up. In terms of welfare state research, it demonstrates the necessity of evaluating assumptions that occupational systems work as well in practice as they do in theory. In the absence of individual data on the usage of occupational insurance, this has not been fully recognised in earlier studies on occupational welfare. When considering the non-take-up of occupational insurance, the role of occupational insurance and the degree to which it complements public insurance and for whom may change. This has implications on how we should read and understand studies on occupational welfare. This is particularly interesting in connection with earlier research focusing on the incentive effects of additional occupational benefits. When reading such research, it is worth noting possible non-take-up rates and the fact that people only respond to incentives they are knowledgeable about (Chan and Stevens 2008). In addition, the paper presents new empirical findings on the non-take-up of occupational benefits in Sweden, the distribution of benefits in the population and their development over time. Such findings contribute to the theoretical discussion on implications of recent development trends in the encompassing welfare model and should be of policy interest in Sweden.

Concerning the field of non-take-up, the current study contributes to existing literature by extending the common focus within the literature on non-take-up from means-tested benefits and the geographical concentration on Anglo-Saxon countries and Germany. Another contribution is the estimation of the occurrence of non-take-up with a new, arguably more accurate and reliable method than previously employed, as both the eligible population and eligible non-claimants are identified using individual and longitudinal administrative register data. This methodological approach also enabled for discerning the levels of non-take-up for different groups in society. In sum, this study shows that also in a policy example without a means-test – the occurrence of non-take-up is still substantial. Accordingly, the study of non-take-up should henceforth arguably be, to a larger extent than today, on the agenda of academic research also outside the world of selective benefits. As the benefit studied, occupational sickness insurance, is quite new to the field, the results presented here may improve the understanding of the existence of and reasons for non-take-up.

7 Concluding discussion – changing institutions and risk

The aim of this thesis is to introduce a focus on changing risk protection in welfare state theorising on institutional change and to demonstrate how the understanding of changing Swedish sickness insurance and its implications depend on the methodological approach and study design used. Accordingly, the two main questions found below are answered first by using the results of paper I as the starting point, i.e. when looking into policy change in the compulsory sickness insurance system 1955–2017. Next, the same questions are answered again, this time using the results of paper II as the point of departure, and thus looking at the interaction between compulsory and occupational benefits from 1982–2013. Finally, the questions are answered based on the results of paper III, that is, when also considering the non-take-up of occupational benefits.

1. In what way has the risk protection, in terms of sickness changed in Sweden?
2. What are the implications of such changes in risk protection at the individual and societal level?

To structure the answers to question 1, the framework of institutional structures of social insurance systems presented in table 2 is used as a base for determining whether or not the identified changes should be classified as an institutional change. When answering question 2, the focus revolves around implications for income security, redistribution, the role of conflict among interest groups and stratification.

7.1 Policy change in the compulsory sickness insurance system

In paper I, I established that with the introduction of compulsory public sickness insurance, the *financing* of the system was to be based on a combination of taxes and contributions paid by the employer, which is still the case. In addition, the bases for *entitlement* have throughout the period been residence

and labour force participation. The *benefit level* principle is earnings-related and is approximately 80 per cent of previous earnings (64 per cent for disability pension). Although the replacement rate for sickness benefit is lower than it was before 1991, it is still comparatively generous and has been more or less constant since 1998.

The system is universal, that is, it includes the entire population. The concept of a flat-rate egalitarian system in combination with a universally inclusive, earnings-related insurance scheme is intended to guarantee that benefits are tailored to expectations by reintroducing benefit inequalities and effectively blocking off the market (Esping-Andersen 1990). Considering the high replacement rate and the compulsory rule that public sickness insurance and complementary occupational sickness insurance cannot exceed 90 per cent of the former income, such collective agreements are likely to constitute only a minor part of a complementary character. Thus, *regulation* and *production* are state based. Accordingly, individual income security is high, and stratification is low. One would also expect a high degree of redistribution from high-income earners to low-income earners. Such distributions come in two types. As the system is uniform, individuals with higher risk of sickness pay the same percentage of wages as individuals with low risk, creating one type of redistribution. The second type of redistribution results from contributions that are paid as percentage of the entire wage, as public insurance compensates for loss of income only up to a ceiling. Both kinds of redistribution go in the same direction, from the better-off to the poor (Ståhlberg 1997). By giving basic security to everyone and offering benefits that are clearly earnings-related to individuals on the labour market, everyone is included in the same institutional structure, and the demand for private alternatives remains low. In this manner, cross-class coalitions of interest can be achieved (Korpi and Palme 1998). Thus, such a system has deliberately sought to eliminate differentials between population groups, e.g. income, sex, or occupationally based, to achieve equality of treatment and broad solidarity. There is deliberate attempt to ensure that all citizens are treated on equal basis (Esping-Andersen and Korpi 1987; Kautto 2010). From a legal perspective, the compulsory sickness insurance of the Swedish system fulfils almost every aspect of an encompassing or social democratic welfare state. With such an approach, no institutional shift can be discerned throughout the history of the compulsory sickness insurance system.

7.2 Interactions between compulsory and occupational benefits

In paper II, it was demonstrated that the replacement rate within the public sickness insurance is less generous today than it was 30 years ago. However,

the *main* reason for this is not decreased replacement levels. Rather, the official *benefit level* principle in the public insurance is still earnings-related benefits, which are set at a high level (80 per cent of former income in the sickness benefit and 64 per cent in disability pension). However, for large groups, the income-related benefit has resulted in what could be described as a flat-rate benefit because of relatively low benefit ceilings. This has been an incremental change because the formal level of the ceiling has been constant, with the exception of a short period of an increased ceiling in 2006. As salaries have increased more rapidly than prices, and prices constitute the basis for indexation of the ceiling, this creates a de facto decrease in the level of the ceiling, as no decisions have been made to adjust the ceiling upwards. Consequently, more people have earnings above the ceiling. The low ceiling has thus turned the system of earnings-related benefits into a system of basic security for large groups because an increasing proportion of the insured population receive de facto flat-rate benefits. This in turn creates a need for complementary occupational income protection, shifting the balance from the state and collective agreements in terms of *regulation*. Although complementary protection in the form of collective agreements has existed in Sweden throughout the study period, there has been a significant shift in the balance between the two. This will shift the balance, in terms of the *production* of income protection from a universal state towards private insurance companies. Such shifts in terms of regulation and production also means that a larger part of the *financing* of the system is moving more towards contributions paid by employers.

Because of the complementary income protection in the form of occupational sickness insurance through collective agreements, decreasing replacement rates from the public insurance does not necessarily mean lower individual income security, as occupational sickness insurance fills the identified insurance gap to a large degree. Thus, occupational insurance turns the *benefit level* principle within the system back to being earnings-related. However, there are some important objections to this statement. First, the bases for *entitlement* differ between public and occupational sickness insurance. Whereas residence and labour force participation are the bases for entitlement in public insurance, the occupational category is the basis for entitlement in occupational sickness insurance. This has two main implications. First, not everyone belongs to an occupational category that entitles them to occupational insurance. Only individuals who are employed or who were recently employed¹⁰ at a workplace covered by a collective agreement are covered by occupational sickness insurance in Sweden, meaning that approximately 10 per cent of employed individuals are not covered. For this group of individuals, the institutional development with decreasing replacement rates in the public insurance

¹⁰ Occupational insurance generally includes certain protections, meaning that one is still covered by occupational insurance even after losing a job. The extent of such protections differs between agreements.

has impacted their individual income security. This is particularly true for individuals with high income and who are lacking occupational sickness insurance. Second, each occupational category has its own rules, premiums and benefit levels due to differences in risks between occupational groups. Accordingly, the degree to which the public insurance is complemented varies between groups in society. For example, blue-collar workers have less generous occupational income protection than others. This is particularly true for blue-collar workers with incomes above the ceiling. Such stratification is not traditionally associated with the Swedish welfare system. The traditional aims of this system have been to deliberately eliminate stratification between population groups, on the basis of gender, income and occupation to achieve equality of treatment and broad solidarity. As the number of people with incomes above the ceiling continues to increase, this increasing stratification will persist and will in time also affect lower income groups.

When more people have earnings above the ceiling, more targeting occurs within the public system, as the premium is paid as a percentage of the full wage, but the system covers income losses only up to the ceiling. This creates a divide between the poor and the better-off, in which (in the long run) there is no rationale for the latter group to want to stay in the same institutional structure as the poor. Such a tendency is likely to be strengthened by the fact that high income earners have to pay twice to get their full income insured.

Notably, the redistribution differs between public and occupational systems. Public sickness insurance is strongly redistributive because it does not differentiate according to risk. Accordingly, public insurance redistributes money from low-risk groups to high-risk groups because the risk of illness varies between individuals due to sex, age and socio-economic status (Kruse et al. 2000; Söderström and Rikner 2003). Occupational sickness insurance does not differentiate risk, creating the same kind of redistribution as within public insurance. The difference lies in the fact that occupational insurance generally compensates income losses above the ceiling, and the compensation degree is much higher for income above the ceiling. This creates redistribution from individuals with income below the ceiling to individuals with income above the ceiling (Edebalk et al. 1996; Ståhlberg 1997).¹¹ However, this is true only for periods when the occupational insurance is paid out as collectively negotiated sickness insurance and not for periods of collectively negotiated sick-pay. Such redistribution is thus directed from individuals with low income to individuals with high income, which is contrary to the redistribution in the public system. This means that with the increased significance of occupational insurance, the redistributive effect of total sickness insurance will change, and the redistribution from those with high incomes to those with low

¹¹ However, for privately employed white collar workers, the premium is higher for income above the ceiling, reducing such redistribution.

incomes will be reduced. The exact size of the change in the redistributive effect is however not possible to distinguish.

Concerning risk pooling, we have already noted that insurance is all about spreading risks. By sharing risks and costs, insurance is a more effective way of reaching income security than using personal savings. Public, mandatory, sickness insurance spreads the risk across the whole population. Thus, the risk pool is the largest possible and it is also very heterogeneous. This creates an insurance that is affordable for everyone, paid as a percentage of the wage. When the occupational category is the basis for entitlement, risks are shared only within that group. However, in Sweden, collective agreements cover large labour market groups. Within the collective agreement covering the central government and municipalities and county councils, the risk groups are fairly heterogeneous, as blue-collar and white-collar workers are covered by the same agreement. Within the private sector, blue-collar and white-collar workers are covered by different agreements, and the risk pooling and redistribution are smaller, as blue-collar workers have higher risk of sickness than white-collar workers. Even if the risk pooling is fairly good within Swedish occupational sickness insurance, it cannot match a public sickness insurance that is fully effective in risk pooling (SOU 2006:86 2006).

Adding a typical case perspective on the interaction between compulsory and occupational sickness insurance, thus, changes the picture of institutional development in Sweden. Such an approach and the inclusion of occupational benefits demonstrate that there has been an institutional shift in the Swedish system, where the balance in *regulation* between state and collective agreements has moved substantially in the direction of the latter. This development will continue as long as no decisions are made in favour of raising the ceiling. In terms of the basis for *entitlements*, an institutional shift from citizenship/residence and labour force participation towards occupational categories has occurred. Considering the *replacement levels* of the public system, there has also been a shift towards inadequate benefits due to a low ceiling. According to the results of paper II, belonging to an occupational category is a way back to earnings-related benefits. These findings demonstrate the importance of including occupational systems when studying risk protection. This is particularly true in a country such as Sweden, where the coverage of occupational insurance is very high and occupational benefits are generous.

As touched upon earlier, the demonstrated change is a good example of an incremental change, resulting in a number of institutional changes. Such results are very much in line with the argument that it is problematic to equate incremental change with adaptive and reproductive *minor* change, and *major* change with, mostly exogenous, disruption of continuity (Streeck and Thelen 2005). Following the terminology used by Streeck and Thelen, these results thus confirm that an incremental process of change can result in discontinuity through gradual transformation. Notably, even though the institutional changes just discussed are not large enough to change the prerequisites for the

Swedish welfare model as a whole, the earlier and ongoing incremental change in Swedish sickness insurance does change the prerequisites for future transformative changes in the welfare model.

7.3 Non-take-up of occupational benefits

In terms of institutional structure, the understanding of such remains the same when keeping the focus on the occupational side of the sickness insurance but switching the focus from a typical case perspective to a practice perspective. However, the results of paper III show that a large group of individuals are missing out on the benefit to which they have a right due to their occupational category. This group of people does not benefit from the system that would bring them back to an income-related insurance system. Such a fact has implications in terms of risk protection.

The most obvious implication of high levels of non-take-up of occupational insurance is reduced individual income security for these groups, as they receive less money than they should when on long-term sick leave. In the public sickness insurance, individuals with income below the ceiling are missing out on 15 per cent of their former income. For individuals with incomes above the ceiling, the potential income loss is much larger. Occupational benefits may constitute more than 50 per cent of the total income during disability pension for high-income earners. High-income earners thus have more to lose in absolute terms, but individuals with the lowest incomes may be in greatest need of the money from the occupational insurance. The non-take-up is also highest among individuals with the lowest incomes.

These results indicate that the stratification noted above is strengthened when including the usage of the occupational insurance system, as the non-take-up varies between occupational sectors. For example, central government employees have more generous occupational sickness insurance than individuals employed within municipalities and county councils. The non-take-up is also higher within municipalities and county councils than within the central government. With the focus on usage, it is shown that new groups of individuals are worse off than others, in terms of occupational protection during sickness, namely, young people, men and individuals diagnosed with mental and behavioural disorders or injuries, poisoning and certain other consequences of external causes, thus causing a new basis for stratification within the system.

The development of large groups not receiving the occupational benefits they are entitled to may make people and, perhaps to an even larger degree, employers question the legitimacy of the collectively negotiated sickness insurance and the necessity of paying for it when a large proportion of the employees are not receiving benefits when sick.

In summary, I demonstrate that there is value added by incorporating changes in risk protection and its consequences in the study of social policy

and institutional change. Moreover, this thesis demonstrates that the understanding of changing Swedish sickness insurance and its implications, to a great extent, depend on the methodological approach and study design used. Any conclusions drawn outside the scope of paper I would have been missed if the focus had been on a legal perspective based solely on public provision. Although Sweden may be the core example of a social democratic welfare state, and state provision thus is expected to be of predominant importance, it is necessary to recognise the importance of occupational insurance. Most single case studies and comparative studies in the field have applied a legal perspective on public provision. Such studies may contribute interesting findings, but the development of Swedish sickness insurance is elucidated when different methodological approaches are used.

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