



## Summary and recommendations

The Swedish National Audit Office has audited the processing of parental benefit cases concerning self-employed persons by the Swedish Social Insurance Agency (Försäkringskassan). The focus of the audit has been the processing of sickness benefit qualifying income (SGI) in conjunction with claiming parental benefit.

## Background and reasons

The public social security system encompasses both general and means-tested allowances, as well as income-related benefits. A basic principle for the income-related benefits is that they are to provide the individual with good protection for loss of income, for example, during parental leave. Parental insurance is intended to enable both parents to combine parenthood with gainful employment, and give the child access to both its parents.

The amount of income-related benefit the individual receives is based on their SGI, which is the income the individual can be expected to receive from gainful employment in the future. The regulations surrounding the determination of SGI for self-employed

persons are more complex and demanding from an administrative viewpoint than for most employees. This is primarily due to the difficulties in assessing future income for self-employed persons. The regulations provide a broad margin of discretion for the individual case-officer at Försäkringskassan. The aim is to create flexibility in estimating the actual loss of income through taking into account the individual circumstances. However, a broad margin of discretion entails risks with regard to fair and equivalent regulatory application if the case-officers at Försäkringskassan are not given the right conditions.

Consistent, clear and predictable application of regulations is of great importance for confidence in Försäkringskassan and is an essential criterion in a socially sustainable social security system. It is vital that Försäkringskassan gives clear information to those insured. The information must be easily accessible and there must be transparency and predictability for the individual regarding the grounds on which decisions are made.

If those insured are uncertain as to what financial benefit they will receive during parental leave, this may impact the take-up of parental benefits and undermine confidence in the national insurance system. The Swedish NAO therefore considers it urgent to audit the parental benefit for self-employed persons, with particular focus on the determination of the sickness benefit qualifying income.

The purpose of the Swedish NAO's audit is to investigate whether the processing of the sickness benefit qualifying income (SGI) in conjunction with the claiming of parental benefit is predictable and clear. The audit is limited to the processing for self-employed persons (regardless of corporate form) when they claim parental benefit in connection with childbirth.

Within the framework of the audit, it is investigated whether a case officer has the right conditions for consistent processing and if the information provided by Försäkringskassan to self-employed persons is clear. Furthermore, it is investigated whether there are shortcomings in predictability with regard to benefits received by self-employed persons when claiming parental benefit.

## **Room for improvement in conditions for case officers**

Försäkringskassan's case officers have, despite a regulatory framework with a broad margin of discretion, relatively good conditions for consistent processing. However, there is room for improvement.

Case officers have good opportunities to obtain help and support in the assessment, and the unit for cases with particularly high investigative requirements has also focused on

consistent assessment. However, without a quality follow-up of cases that concern self-employed persons, it is difficult to say whether the processing is consistent in practice. Försäkringskassan should therefore conduct a quality follow-up of the processing of SGI for self-employed persons. Given that variations in predictability of benefits between men and women have been observed, the quality follow-up should be performed with a gender perspective. The follow-up should focus on the type of decision-making data used and follow up contacts with the insured persons in the course of processing.

The organisation would also benefit from systematic feedback from the review unit. This would highlight any shortcomings in the processing but also support case officers in their assessments when decisions are not amended. It may also give an indication of when reviews could be avoided through clearer communication with those insured.

## **The need for clearer information to the self-employed**

Försäkringskassan's communication with and information to insured persons is of central importance. Försäkringskassan has taken several steps in the right direction, including the introduction of service centres focusing on self-employed persons and participants in Start a Company event days. However, there are still shortcomings in the information due to the unclear and complex regulatory framework. There are also areas where the regulations are clear, but the information needs to be clarified to avoid misunderstanding (for example the rules concerning accumulated funds).

There is an imbalance both between the availability of tools on Försäkringskassan's website and the information provided to employees and self-employed persons respectively. The formulation of the regulations means that self-employed persons with sole proprietorships cannot, via the information on the website, predict what SGI they will receive. Generally, more responsibility lies on the self-employed person to independently find information and gather supporting documentation, compared to most employees who have many tools at hand via Försäkringskassan's website and who can rely on documentation from their employer.

There is therefore a risk that the individuals that are not active in the contact with Försäkringskassan might be disadvantaged in relation to those that take a more active part in the case processing and communicate with Försäkringskassan regarding their expected future income.

Given that the parental benefit is perceived as unpredictable and the processing unclear, it is important that Försäkringskassan continues to develop the information it provides to self-employed persons. Försäkringskassan should ensure that case officers work

according to the established process and make first contact by phone with the insured person. Furthermore, Försäkringskassan should provide clearer information on the existing possibility to have an SGI established without an active case. This would give self-employed persons a better opportunity to financially plan for their parental leave in advance, for example, via the planning tool available on the website. An SGI decision must, however, always be based on the current situation when the insured person applies for parental benefit, and the advantage of being able to establish the SGI in advance may therefore vary. That said, the possibility of establishing the SGI without an active case should allow the self-employed person better insight into the factors that influence their SGI and give an indication of what the benefit may be, if the situation does not change in the coming period.

## **Shortcomings in predictability of benefit for certain self-employed persons**

There is a high degree of uncertainty regarding what SGI a self-employed person with sole proprietorship can expect, compared with employees and self-employed persons with their own limited company. The result is that it is more difficult for the individual, based on historical income, to predict what they can count on in terms of parental benefit.

It is primarily persons with low historical income, but also those with high historical income, who have difficulty predicting what SGI they will be given based on historical income. The results also indicate that women with sole proprietorships can be expected to have a greater relative average miscalculation rate (in relation to the SGI that is determined), i.e., they find it more difficult to predict their SGI.

The overall assessment is that there are shortcomings in predictability for self-employed persons with sole proprietorship regarding the size of the benefit.

## **Summary**

A key question in the assessment of SGI for self-employed persons with sole proprietorships is what supporting data to use in the assessment. Statutes and Försäkringskassan's guidelines, which constitute the case officers' practical tools, do not make clear delimitations for when preliminary data can be used. The Swedish NAO assessment is that the provision of clearer information to those insured regarding the applicable provisions when deviating from taxed income and the use of preliminary data

would reduce the perception of unpredictability. However, this requires a regulatory framework, or devised practice, with clearer delimitations for when preliminary data can be used. Clearer regulations would require a certain sacrifice of the possibilities of individual adaptation in the assessments.

The fact that parental benefit for self-employed persons with sole proprietorships is more unpredictable limits the opportunities for the self-employed persons to plan their leave from a financial perspective. The tools that are available on Försäkringskassan's website assume to a great extent that the insured person knows what level of benefit they will receive. Unpredictable parental benefit can also negatively impact confidence in Försäkringskassan if the assessment is perceived as arbitrary.

## Recommendations for Försäkringskassan

- Försäkringskassan should introduce systematised feedback from the review unit to the unit for cases with particularly high investigative requirements.
- Försäkringskassan should perform a quality follow-up of self-employed persons' SGI, with a focus on the supporting data used in the assessment linked to the contact with those insured. The follow-up should have a gender perspective.
- Försäkringskassan should develop information provided to self-employed persons to enable this group to financially plan their leave. This should be achieved through ensuring that initial personal contact is made with those insured. Försäkringskassan should also provide clear information on the possibility of having SGI determined without an active compensation case.