



Summary

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Easy to get it wrong

– the system for compensation for high sick pay costs

Summary

Audit findings

The Swedish National Audit Office (Swedish NAO) has examined whether the system for compensation for high sick pay costs (EHS) is designed to minimise the risk of incorrect payments efficiently. The overall conclusion is that there are several clearly identified inefficiencies that together present a heightened risk of incorrect payments. The Swedish NAO considers that the employers' obligation to provide information should be expanded and that responsibility for calculating the sick pay cost should be given to the Swedish Social Insurance Agency.

Furthermore, the Swedish NAO considers that the Swedish Social Insurance Agency needs to carry out more controls and that collaboration with the Swedish Tax Agency should be intensified to more efficiently minimise incorrect payments.

Easy to get it wrong

The Swedish NAO makes the assessment that the system's current design poses a heightened risk of incorrect information when reporting sick pay. For an automated system to generate correct payments, it is essential that the compensation is calculated using correct data.

In the Swedish NAO's assessment, the fact that it is employers and not the Swedish Social Insurance Agency that are responsible for calculating the sick pay

cost on which compensation is based, poses a heightened risk of incorrect payments and inefficient use of agency resources.

The Swedish Social Insurance Agency would need certain supplementary information from the employers about their sick pay costs, such as information on who was sick and when, to effectively minimise incorrect payments from the EHS. The Swedish NAO finds that shifting the responsibility for the calculation itself from the employers to the Swedish Social Insurance Agency could partly offset the increased administrative burden for employers that may result from an expanded obligation to provide information.

Supervision partly effective although limited

The Swedish NAO considers that there are some deficiencies in the Swedish Social Insurance Agency's performance of its controls and that that these are not sufficiently comprehensive to minimise incorrect payments.

Although the Swedish NAO considers that the Swedish Social Insurance Agency's 'targeted controls' of EHS cases are effective, the risk of incorrect compensation payments remains high. The Swedish NAO considers that the targeted controls are relatively few in relation to the number of EHS payments – just under 2 per cent in a year.

Inadequate coordination between the Swedish Social Insurance Agency and the Swedish Tax Agency is one of the reasons for the inefficiencies

Furthermore, the Swedish NAO considers that the current division of responsibility between the Swedish Tax Agency and the Swedish Social Insurance Agency, combined with inadequate interaction, presents an obstacle to efficient control. The Swedish Tax Agency is responsible both for collecting information from employers and for disbursing the compensation, while the Swedish Social Insurance Agency is responsible for processing and performing controls in the cases. Despite this, the Swedish Tax Agency has no responsibility to check EHS processing, which means that the agency's role in efforts to minimise incorrect EHS payments is limited. At the same time, the Swedish Tax Agency has access to information that can facilitate controls but that is not currently shared with the Swedish Social Insurance Agency. The Swedish Social Insurance Agency, on the other hand, does not check that the payroll cost is correct, but rather leaves that responsibility to the Swedish Tax Agency. The Swedish NAO assesses that the agencies have not sufficiently taken advantage of their opportunities to collaborate in a way that helps to minimise the incorrect payments. The collaborative efforts to counteract careless mistakes in information reported by the employers have not been sufficient, which increases the risk of incorrect payments. This also

compromises the Swedish Social Insurance Agency's conditions for performing efficient controls.

Inadequate Government control

After the introduction of the new regulatory framework, the Government tasked the Swedish Social Insurance Agency with following up on the EHS system. However, the Swedish NAO considers that the Government has failed to adequately act to ensure that the shortcomings that emerged in the agency's follow-up have been remedied.

The Swedish NAO notes that, despite the challenges to effective controls that have come to light since the compensation was introduced, the Government has not considered whether more information should be submitted in accordance with the statements in Government Bill 2014/15:1. It is the assessment of the Swedish NAO that, for a long time, there has been scope for the Government to take initiatives to change regulations to create an adequate basis for making decisions on qualifying for EHS. The Swedish NAO considers that the information currently being submitted does not constitute a sufficient basis for effective controls. Thus, the Government has not taken sufficient steps to ensure a regulatory framework that enables effective control of the compensation that is being disbursed.

The EHS design also makes it difficult for the Swedish Social Insurance Agency to ensure that the employer has not deliberately submitted incorrect information about their sick pay cost. This is due to how the benefit is designed, a lack of information exchange between the Swedish Social Insurance Agency and the Swedish Tax Agency, and the fact that there is no formal application in the current system.

Given indications of flaws in the design of the system and the high risk of incorrect payments within the benefit, the Swedish NAO considers that the Government's efforts to ensure that the system functions appropriately have been insufficient.

The Swedish NAO notes that, according to Government Bill 2023/24-1, the Government has proposed to phase out the compensation for high sick pay costs. The Government raises several reasons for its phase-out proposal, including the fact that the possibility for supervision is limited since processing is largely automated, which in turn can increase risks of incorrect payments. The Government proposes that the final compensation for sick pay costs to employers within the framework of the current compensation system will be for 2024. The Swedish NAO considers that the recommendations presented in the audit still apply as long as the current regulatory framework is in force.

Recommendations

The Swedish NAO makes the following recommendations to the Government

- Give the Swedish Social Insurance Agency and the Swedish Tax Agency a special coordination remit aimed at reducing the risk of incorrect payments from compensation for high sick pay costs.
- Consider whether the legal conditions for information exchange between the agencies that applied during the COVID-19 pandemic should apply until further notice.
- With a view to reducing the risk of incorrect payments, perform a review and present legislative proposals focusing on:
 - an expansion of employers' obligation to provide information in order to improve efficiency in processing
 - a transfer of responsibility for calculating the sick pay cost from the employer to the Swedish Social Insurance Agency
 - ensuring that the Swedish Social Insurance Agency can access income data from the Swedish Tax Agency at the individual level with a view to improving efficiency in processing
 - deciding on an introduction of a penalty fee for providing incorrect information regarding EHS.

The Swedish NAO makes the following recommendations to the Swedish Social Insurance Agency

- Review controls with a focus on the following:
 - perform random controls regularly as a supplement to the targeted controls
 - ensure that the number of targeted controls is sufficient in relation to the risk of incorrect payments.