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## The Swedish Unemployment Insurance Funds, the Swedish Unemployment Insurance Board, and unemployment insurance

– more can be done to promote equivalence

### Summary and recommendations

Unemployment insurance is an adjustment insurance that provides temporary financial assistance to people who are involuntarily unemployed and actively seeking work. The insurance is administrated by 27 independent unemployment funds (known as “a-kassor”), and the Swedish Unemployment Insurance Board (“Inspektionen för arbetslöshetsförsäkringen,” or “IAF”) supervises the a-kassor. In 2017, 12.4 BSEK in unemployment benefits were disbursed to more than 220,000 job-seekers.

This audit aims to examine whether the a-kassor administer unemployment insurance equivalently, and whether the Swedish State can achieve greater equivalence in the application of the unemployment insurance funds. The Swedish National Audit Office has audited the a-kassors’ assessments of the notifications which the Swedish Public Employment Service sends to the a-kassor when a job applicant does not fulfill the conditions of his/her insurance policy, for example through misconduct in his/her search for employment. The Swedish National Audit Office also audited both the IAF’s supervision of the a-kassor unemployment insurance fund and the regulations on how the insurance is to be applied. Below are the answers to the three questions that served as points of departure for the audit.

Do the unemployment insurance funds (a-kassor) assess the notifications from the Swedish Public Employment Service in an equivalent manner?

No, probably not. There are clear indications of deficiencies in the equivalence. The Swedish National Audit Office has used statistical analysis to examine the differences in the penalty rates between the various unemployment insurance funds, and what impacts them. The

analysis is based on data from the IAF and the Swedish Public Employment Service, and refers to the period January 1, 2016–June 30, 2017.

When the six a-kassor with the lowest penalty rate are compared with the six a-kassor with the highest penalty rates, the difference averages approximately 14 percentage points. The differences in the penalty rates cannot be explained by differences in the composition of the types of cases handled by the respective unemployment insurance funds. Nor can the differences in the penalty rates be explained by variations in the composition of the types of job-seekers served by the various a-kassor. The latter finding suggests that the differences cannot be explained by variations in willingness to respond to the unemployment insurance funds' questions regarding a given case, so-called "communicativeness," which has previously been presented as an explanation for the differences in the penalty rates.

Some caution should be exercised when interpreting differences in penalty rates, because differences in how the unemployment insurance funds manage disqualifications may partly explain the results. One possible reason for the differences in the penalty rates is that the unemployment insurance funds administer the regulations differently. If this is the case, then the most important aspect is probably the fact that the unemployment insurance funds make various strict assessments of how the concept of "valid reason" should be applied. About 80 percent of the notifications pertain to the fact that a job-seeker failed to submit his/her activity report in time without a "valid reason," and the results are unchanged even when we only study those notifications.

The Swedish National Audit Office finds that the differences are fundamentally important from an equivalence perspective, as well as to maintaining public confidence in the insurance. It has not been possible in this audit to estimate what the full budgetary impact would be if all a-kassor had been more or less strict.

Our analysis indicates that there are differences in how the regulations are applied. However, in order to examine whether and in what manner the assessment of cases differs, an analysis of similar cases handled by various a-kassor must be conducted.

**The Swedish National Audit Office recommends** that the IAF further analyze whether (and in what manner) the assessment of cases differs between a-kassor with high and low penalty rates.

### Is IAF's supervision and monitoring conducted in a satisfactory manner?

Yes, essentially. The IAF has functional internal processes for identifying substantial insurance risks, for safeguarding the quality of the reports, and for monitoring the results of the supervision. The Swedish National Audit Office's questionnaire, which is answered by all a-kassor, shows that in general, the a-kassor find IAF's conclusions to be clear and well-founded, and that the competence of those who carry out the supervision is good. The survey also indicates that the a-kassor assess that the IAF's criticism will result in concrete changes in the individual unemployment insurance funds.

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However, some areas for improvement have been noted. The IAF does not have direct access to the data system of the unemployment insurance funds. This means that supervision is costly. There is also a risk that the penalties which the IAF has the power to impose cannot be applied without threatening to negatively affect individual benefit recipients. There is also some criticism that the IAF fails to clearly communicate general conclusions unrelated to any specific unemployment insurance fund. The IAF has not carried out any external quality reviews of its reports. The Swedish National Audit Office believes that as part of internal quality assurance efforts, such an audit has the potential to contribute to higher analytical quality.

**The Swedish National Audit Office recommends** that as part of its recurring quality assurance efforts the IAF should allow third-party researchers and other experts to retrospectively review and comment on a number of audit reports.

### Should the regulations on how the insurance is to be applied be clarified?

Yes, the Swedish National Audit Office's overall conclusion is that regulatory activity seems to be neglected by both the IAF and the Swedish Government. The Swedish National Audit Office's survey indicates that there are some criticisms of the clarity of the regulations. There is also a clear demand from the a-kassor for greater guidance from IAF in the form of regulations relating to the concept of valid reason. There are currently no provisions in place regarding valid reasons, because the agency lacks the authority to issue them. In addition, some of the IAF's regulations were issued without the support of authorizations. The IAF has pointed out to the Swedish Government that additional authorizations are needed, but the Government has not taken a position regarding this request.

The survey also shows that a majority of a-kassor believe that the IAF should issue general advice about the application of unemployment insurance. The Swedish National Audit Office agrees with this assessment and finds that equivalence in the application of unemployment insurance can be promoted if the IAF issues general advice in areas in which case-law is unclear and where large disparities in the application of the regulations have been noted in the course of supervision or in some other way.

If the differences in the penalty rates between the unemployment insurance funds noted above depend on differences in the application of the regulations, then it is the assessment of the Swedish National Audit Office that clearer guidance in the form of regulations or general advice may contribute to a more equivalent application of the regulations.

**The Swedish National Audit Office recommends** that the Swedish Government review the IAF's mission in order to clarify the insurance policy regulations, and in particular the IAF's authorizations to issue provisions.

**The Swedish National Audit Office recommends** that the IAF issue general advice on the application of insurance policy in areas with unclear case law and where large disparities in the application of the regulations have been noted.