

*Summary*

Many young people with activity  
compensation lack activities (RiR 2015:7)



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The Swedish National Audit Office has audited activity compensation for young people.

## **Audit background**

*Reasons:* Since 2004 the number of young adults receiving activity compensation for impaired capacity to work due to sickness or other impairment of physical or mental capacity has increased sharply in Sweden and is now about 30 000 individuals. About six out of ten of them continue to permanent sickness benefit (formerly disability pension) at the age of 30.

The effects of early retirement of a young person entail major long-term costs for the individual and society as a whole. For the individual receiving support through activity compensation entails a risk of exclusion from the labour market with the associated consequences. In addition, younger people often receive low activity compensation since they have rarely had time to earn income from work. Retiring a young person also entails costs to society since many young people become dependent on sickness insurance for their living for a long period. In this light it is important that the system of activity compensation is designed effectively to enable as many people as possible to leave it for work or study.

One of the purposes of introducing activity compensation was to provide an increased degree of independence for young people with disabilities. However, during the prestudy that preceded the audit of activity compensation the Swedish NAO received indications that there were no measures for a large proportion of the group of young people receiving activity compensation. It seemed that there were also lock-in effects in the system.

*Purpose:* The purpose was to audit whether the system of activity compensation is effective in activating young people with long-term impairment of work capacity. The Swedish NAO's focus was on adding new knowledge on how the system of activity compensation works, including as regards coordination between different actors, incentive structures in the system and review of the right to compensation for the group with permanently impaired work capacity.

*Implementation:* The findings and conclusions of the audit are based on a questionnaire to case officers at the Swedish Social Insurance Agency, in-depth interviews with employment officers at the Swedish Public Employment Service, mapping of compensation levels and economic drivers for individuals with activity compensation, calculation of administration costs for the Swedish Social Insurance Agency and a



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workshop with actors concerned. In addition documents were studied and further interviews with actors concerned were conducted.

## **Audit findings**

### *The purpose of activity compensation is not met*

The Swedish NAO's overall conclusion is that the purpose of activity compensation is not achieved and that the compensation does not live up to the objectives of the Riksdag and Government of an active approach for young people with impaired work capacity. The Swedish NAO considers that the Government has been far too passive in its governance, despite obvious problems in the present system of activity compensation that were pointed out a long time ago.

### *The supply of measures does not correspond to the need*

The Swedish NAO's audit shows that the current needs for measures for the group receiving activity compensation are not matched by the supply provided, either through the municipalities' daily activities, the Swedish Public Employment Service's vocational rehabilitation or the activities that the Swedish Social Insurance Agency grants special compensation for. Above all there are no measures for young people with activity compensation who are very detached from the labour market. Here it is probable that the group with no right to daily activities is particularly vulnerable. Moreover only every fourth individual not covered by the Act concerning Support and Service for Persons with Certain Functional Impairments (1993:387), LSS, without vocational rehabilitation through the Public Employment Service (about 48 per cent of the group) has an activity with support from the Swedish Social Insurance Agency. In addition the Swedish NAO considers it doubtful if these activities function as a step towards working life. The Swedish NAO makes the assessment that the measures that coordination associations finance fill an important function as regards activating young people with activity compensation. However 50 of the country's municipalities have no coordination association.

The Swedish NAO's audit has identified two areas of problems that lead to people with activity compensation not having activities in accordance with their needs:

- coordination among agencies
- incentive structures around activity compensation

### *The Swedish Social Insurance Agency has not fulfilled its coordination remit*

The Swedish NAO can note that the Swedish Social Insurance Agency finds it difficult to carry out its coordination remit as intended. For example, many people with activity



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compensation are not offered rehabilitation measures and case officers do not keep up with coordination and follow-up. Previous investigations also show how young people with activity compensation experience long periods of inactivity with nothing to do. Moreover the Swedish NAO's audit shows that the people who primarily obtain help and support are the ones who make contact themselves with their case officer at the Swedish Social Insurance Agency. Since people with activity compensation are a vulnerable group, where a majority have mental problems and difficulties in initiating contacts, the Swedish NAO considers it problematical that taking their own initiative is crucial for obtaining the support these individuals need and are entitled to.

In 2014 the Swedish Social Insurance Agency internally redistributed SEK 25 million for processing activity compensation. According to the Swedish NAO, it is difficult to assess if more resources for processing in the present system is an effective tool for activating young people with activity compensation. This is due to other problems that have emerged in the audit, including the fact that the supply of measures is limited and does not meet the needs of the group.

Moreover, the Swedish NAO notes that the role of central government as employer of people with disabilities is far from the ambitions expressed by the Government. Together with the trade union partners in the central government agreement area, the Swedish Agency for Government Employers has drawn up an agreement for the purpose of facilitating employment after participation in the Swedish Public Employment Service's trainee programme. The Swedish NAO notes, however, that the scope of the agreement is limited, since few people are covered by it. The Swedish NAO notes that efforts made to increase opportunities for people with disabilities to be offered jobs in the central government sector have not had the intended effect.

#### *Coordination problems between actors*

The Swedish NAO's audit has revealed that the strengthened cooperation between the Swedish Social Insurance Agency and the Swedish Public Employment Service for people with activity compensation seems to work well in many parts of the country but that the cooperation functions worse in larger towns and cities than in smaller communities. This is partly due to authorities in smaller places working more closely and that lines of contact are shorter. The Swedish NAO can also note that to some extent there is a lack of consensus among agencies on their common remit and that there are varying perceptions concerning the objective of cooperation as well as of what the agencies can do separately or together.



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To allow people in municipal daily activities the same opportunities to progress to studies or work that other people with activity compensation have, in the opinion of the Swedish NAO it is a requirement that both case officers at the Swedish Social Insurance Agency and case officers in the municipality work on the basis of a working life oriented perspective with this group.

*Need for economic drivers in the activity compensation system*

The Swedish NAO's audit shows that there are no economic incentives for young people with activity compensation to leave this scheme to study. Many people in the group have problems that prevent full-time studies. If these people were to decide to study part time they would lose their right to activity compensation. There is a risk that for this reason people will refrain from studying, which the Swedish NAO considers would create a lock-in effect in the activity compensation system. Moreover, the audit showed that economic incentives for individuals with activity compensation to seek work are negative. Individuals receiving activity compensation and associated housing supplement can lose a fourth of their net income if they register with the Swedish Public Employment Service. Negative economic incentives to leave the activity compensation scheme impact individuals who want to try studying or working and it also entails costs to society such as reduced tax revenue.

*Time limited compensation creates unnecessary anxiety for people with permanently impaired work capacity*

The Swedish NAO's audit shows that applications for a new period of activity compensation and demands for new supporting documentation gives rise to anxiety among individuals and their families. In the cases where the Swedish Social Insurance Agency can establish after careful review that work capacity is permanently impaired the Swedish NAO sees several reasons for decisions on activity compensation to be valid for a longer period. Apart from the fact that there is work capacity to utilise and there are ethical reasons for reducing the anxiety of the individuals, the processing of applications for a new period of activity compensation entails administrative costs for the Swedish Social Insurance Agency and costs for the health and medical services in the form of renewed medical statements.

In 2015 the Swedish Social Insurance Agency proposed that the Government introduce a time limit in activity compensation for people with very long term impairment of work capacity. However, the target group for the Social Insurance Agency's proposal constitutes only some 5 per cent of the target group. In the opinion of the Swedish NAO the proportion of the group with such extensive disabilities that they will never be able to work is much greater than this. The Swedish NAO's assessment is that the effects of the



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Social Insurance Agency's proposal would be far too limited in terms of the number of individuals concerned and thus also the administrative cost savings.

## **The Swedish National Audit Office's recommendations**

The Swedish NAO makes the following recommendations to the Government and the Swedish Social Insurance Agency.

*To the Government:*

### **Review the remits of the responsible actors as regards coordination of measures for people with activity compensation**

By responsible actors is meant both central government agencies and the municipal sector's responsibility for the group of young people with impaired work capacity. The role of health and medical care services as an actor in the activity compensation system should be included in the review. The Government should also review the measures on offer to the group and investigate which actor should provide them. The Government should also review the present system of extensive projects.

### **Review the possibility of increasing economic incentives**

The Government should review the possibility of strengthening economic incentives for young people with activity compensation to go on to studies and work.

### **Review the possibility of longer decision periods**

The Government should review the possibility of longer decision periods for activity compensation as regards people with serious, permanent disabilities. The Government should also review the economic situation of the group. The Government should also consider a system with differentiated compensation levels in which people with permanent disabilities receive a higher compensation level than other people in the system.

*To the Swedish Social Insurance Agency:*

### **Highlight the follow-up in the coordination remit and develop statistics of relevant performance indicators**

The Swedish Social Insurance Agency should supplement the current governance in the direction of processing application decisions with appropriate output and parameters concerning follow-up of young people with activity compensation. To enable the Swedish Social Insurance Agency to follow up compliance with the purpose of activity compensation it must develop statistics of the measures the group with activity compensation take part in. The Swedish Social Insurance Agency should also secure



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knowledge of the group that is not participating in measures.

**Provide information about the economic incentives associated with activity compensation**

The Swedish Social Insurance Agency should clarify the economic incentives for various paths out of activity compensation and create tools to provide clear information about this to young people with activity compensation.

