

ISF Report 2013:19

Abolished absence  
certificate - Control and  
use of temporary parental  
leave benefit

Swedish Social Insurance Inspectorate

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# Summary

The Swedish Social Insurance Inspectorate (Inspektionen för socialförsäkringen, ISF) is an independent supervisory agency for the Swedish social insurance system. The objectives of the agency are to strengthen compliance with legislation and other statutes, and to improve the efficiency of the social insurance system through system supervision and efficiency analysis and evaluation.

The ISF's work is mainly conducted on a project basis and is commissioned by the Government or initiated autonomously by the agency. This report has been commissioned by the Government.

## *Background*

Parents with children aged less than 12 years are eligible for temporary parental leave benefit when staying home from work to take care of a sick child. The benefit compensates 77.6 per cent of the foregone wage income up to a monthly wage of SEK 27 800. The benefit can be paid out a maximum of 120 days per year and child without any waiting period. Most benefit spells are short (one or two days). Between July 2008 and December 2012 a certificate of the child's absence from day care or school was required before the benefit could be paid out. The purpose of the certificate was to prevent misuse of the insurance (by preventing parents from collecting benefit and having the child at the day care or school at the same time). However, the certificate meant a considerable increase in the administrative costs for the Swedish Social Insurance Agency (SSIA), parents, day care centres and schools. Also, the Government's assessment was that the monitoring was too extensive in relation to the risk of misuse. Therefore, the certificate was abolished on the 1<sup>st</sup> of January 2013. Since then only randomized controls of a child's absence from day care or school are carried out.

### *Objectives*

The aim of this report is to analyse the development in the parents' use of the temporary parental leave benefit and how the SSIA monitors the parents' use of the benefit after the absence certificate has been abolished.

### *Method and data*

This report analyses the development of the temporary parental leave benefit and changes in the beneficiary rates among the parents over time. The analysis is based on individual level data of the Swedish parents with children aged 1–11 years and the parents' use of the temporary parental leave benefit between January 2003 and June 2013. Only parents aged between 16 and 64 years who were likely to be entitled to the benefit, i.e. parents with an income over the lower benefit threshold not receiving other social security benefits, are included in the analysis.

The aim of the report is also to describe how the SSIA controls the parents' use of the benefit and analyze the changes in the control strategy since the abolishment of the absence certificate. The study uses individual level data on the results of the randomized controls of the benefit applications. In the randomized controls the SSIA contacts the parent's employer in order to ensure that the parent has not worked. As of January 2013 the SSIA also contacts the child's day care or school to ensure that the child has been absent. The data covers all the randomized controls carried out between October 2010 and June 2013.

### *Findings and conclusions*

The report shows that the share of parents using temporary parental leave benefit was higher during the 4<sup>th</sup> quarter 2012 (31 per cent) than during the same quarter one year earlier (29 per cent). During the 1<sup>st</sup> quarter 2013, after the absence certificate had been abolished, approximately 36 per cent of the parents used the benefit. This is a 2.7 percentage points' increase compared to the 1<sup>st</sup> quarter 2012. During the 2<sup>nd</sup> quarter 2013 the share of the parents using the benefit was 24 per cent, which is in line with previous years. The same trend is observed for different subgroups of parents (e.g. men, women, different levels of education and number of children).

If the abolishment of the absence certificate has affected how the parents use the temporary parental leave benefit, the effects are not likely to be large. It is impossible to identify causal effects of the abolishment of the absence certificate since there are no control groups, but the increases in the share using the benefit are not very large compared to the variation over time. Besides, the share of parents using the benefit started to increase several months before the certificate was abolished.

The SSIA conducts automatic controls in all applications for temporary parental leave benefit. For example, it is verified that the parent is not receiving other benefits, such as unemployment benefit or parental leave benefit, on the same date. The SSIA has set a goal to carry out randomized controls in 5 per cent of the temporary parental leave benefit applications. The SSIA controls that the parent has not worked and that the child has been absent from the day care or school during the benefit period.

Between July 2008 and December 2012 the absence certificate was used as a verification that the child had been absent from the day care or school and it was applied to nearly all applications of temporary parental leave benefit, with very few exceptions. Since January 2013 the child's absence is verified only by the randomized controls, i.e. in 5 per cent of the applications. Whether the parent has worked during the benefit period is controlled at the same rate as before the abolishment of the absence certificate. Therefore, the control rate is much lower than before the abolishment of the certificate. Also, during some periods the SSIA has not been able to control a substantial share of the applications selected for control, which indicates large variation in the control intensity. In some periods, usually during the summer months, the SSIA has even set the control rate to zero. It is a risky strategy not to carry out any controls under a certain time period since it can lead to misuse of the benefit. It is difficult to know what the optimal level of control is, but previous calculations<sup>1</sup> indicate that it is likely to be considerably higher than the current control level.

The SSIA policy to prioritize fast payment of the benefit (at best within 2 banking days from the application), combined with a low

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<sup>1</sup> See ISF (2011).

control rate, is problematic since it can lead to misuse of the benefit. Also, the SSIA's possibilities to control absence of the children attending private day care and private schools should be improved.

The SSIA is currently developing a profiling model to target the controls towards applications with a high risk for misuse. This could be a way to carry out controls more cost efficiently but it is too early to assess how this will work in practice. Regardless of how the risk profiling will work, this cannot entirely replace the randomized controls since randomized controls are needed to calibrate the profiling model. Also, to prevent misuse of the benefit it is important that anyone applying for the benefit face a real risk of being controlled.