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Economic life cycle in Sweden 1980s, 1990s, & 2000s

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What I will show here today

Institutional background

Labor and consumption profiles over life and changes during the past 20 years



Swedish institutional background

Benefits

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Comprehensive social income insurance

- Sickness
- Unemployment
- Parental leave

Nominal fee health care provisions

Free education at all levels (incl subsidised student loans for consumption expenses)

Notional defined contribution pensions



Swedish institutional background

Taxes

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Local income taxes around 30 percent

State income taxes 20-25 percent above ceiling

- Ceiling around \$50 000

Payroll taxes and fees 40-50 percent on top of gross income

Capital income tax flat rate 30 percent

Wealth and real estate taxes around 2 percent

Value added taxes 6, 12 and 25 percent



Subsidy systems 1

Education

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Entitlement daycare/pre-school (1-12) low fee high subsidies, 80% of pre-school children,

Compulsory school (7-16) Pre-school 6 years added. Public financing (even if private operation)

Upper secondary school (3-4 years) >90% enrolment.

Tertiary education free (but rationed) 50% enrollment (also vocational education)



Subsidy systems 2

Transfers

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Universal child allowance 100 EUR a month up to 16-19 years.

Parental leave insurance (80% or more regular income) 390 days (another 3 months at low flat rate) flexible uptake

Until child 12 years parents can stay home for care of sick child at the same replacement rate

Means tested housing allowance mainly supports single parents.

Students get an extra allowance if they have children.

One of the parents, generally the mother also gets extra pension rights for each child.

There are a number of other supports in case of divorce, military service etc., which are of minor importance.



Major changes in the Swedish welfare state

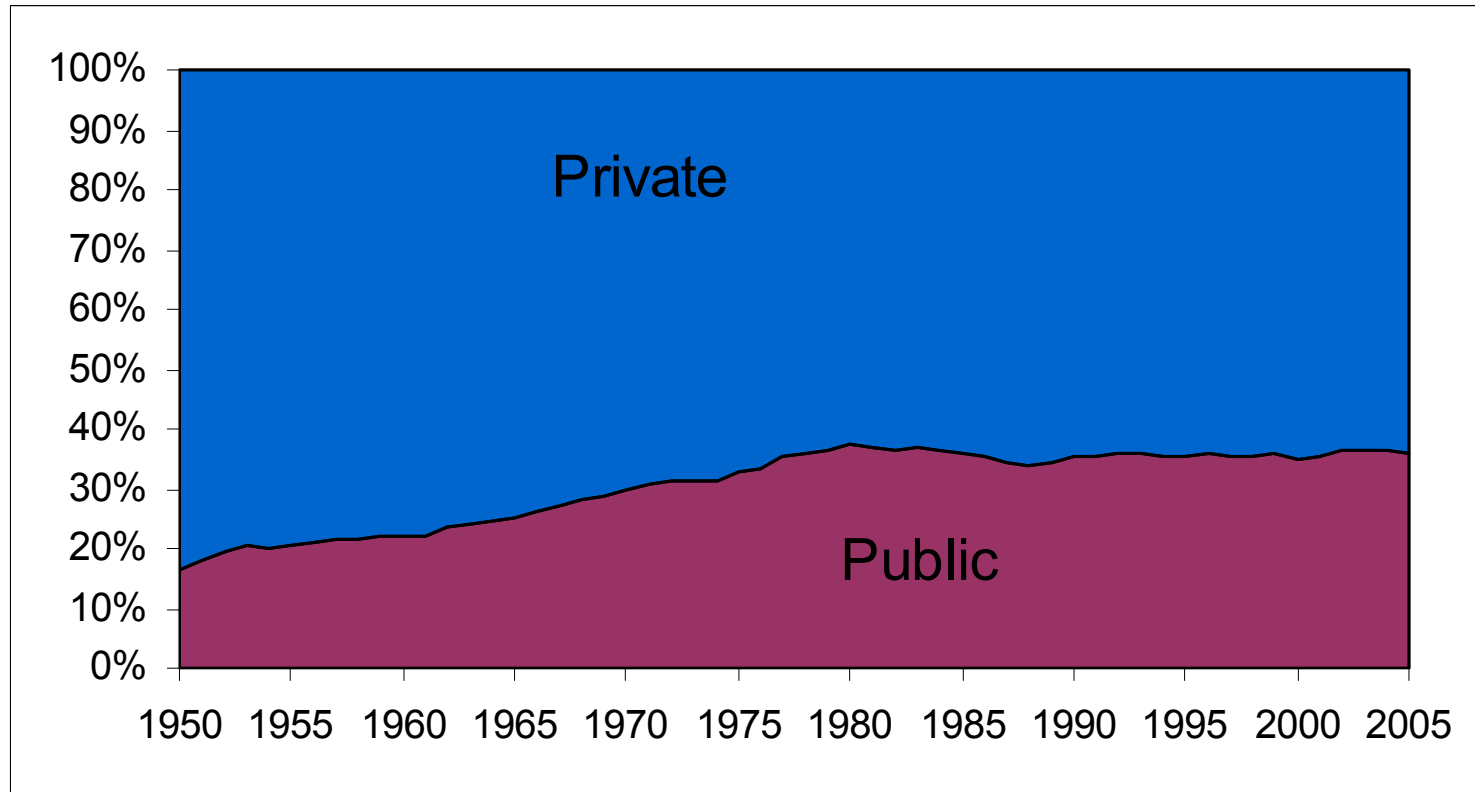
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	1970ies	1980ies	1990ies	2000ies
Families	Parental leave Child benefit	Child care ↑	"Daddy months", continued child care exp.	Max-fee reform
Education	College expansion	More favorable student loans	Major educational expansion	Stricter students loans
Labor market	Women enter	High female LFP	Major ec crisis – unemployment, "budget discipline"	Cut-backs in UI and SI, DI
Pensions	Reduction of retirement age	Part time retirement	New pension system, retirement age ↑	More saving in private pensions
Elderly care, health sector	Publ sector ↑	Publ sector ↑	"Ädel reform" publ sector ↓	
Taxes	Individualized taxation	High marginal taxes	Tax reform	Tax deductions on labor



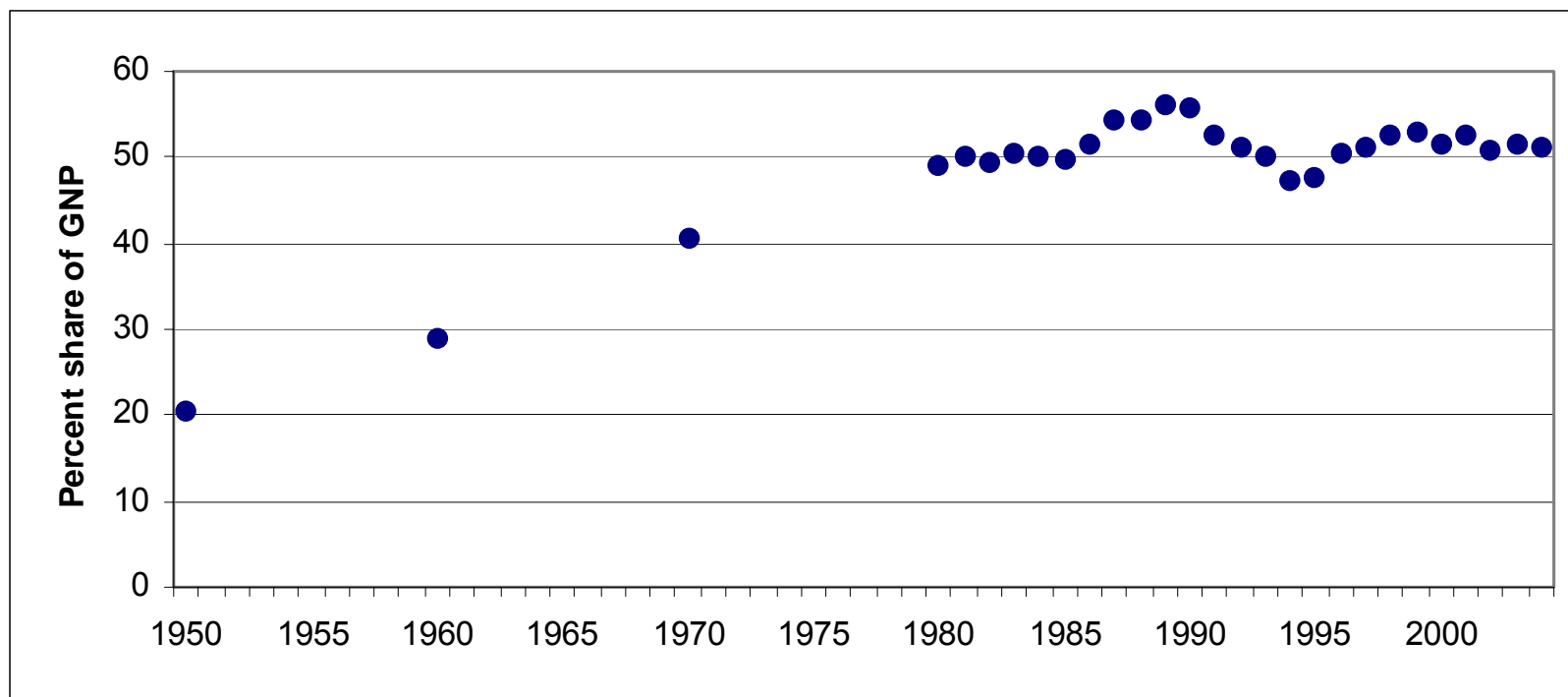
Share of public and private cons 1950-2005

8



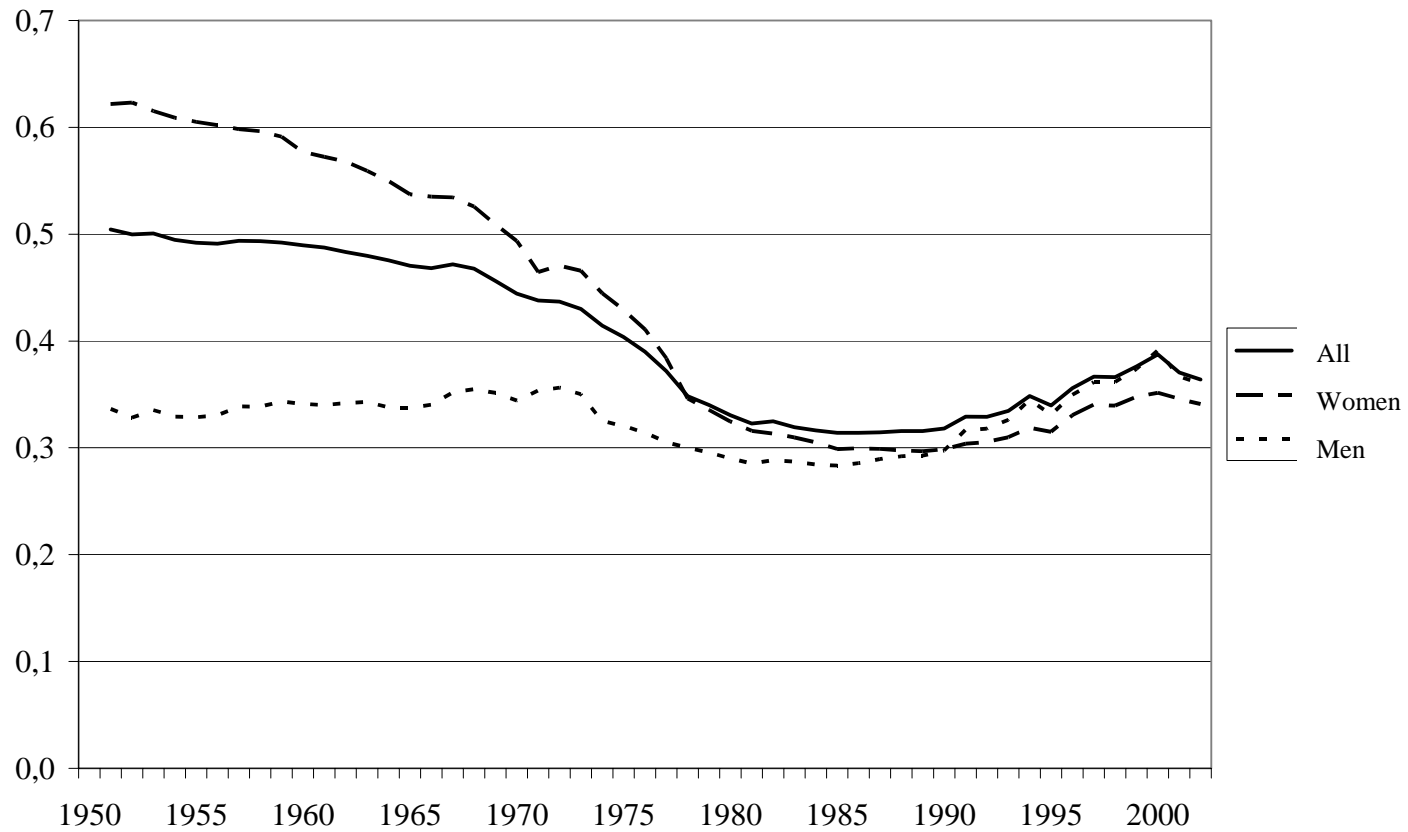
Tax/GDP ratio 1950-2004

9



Economic equality (Gini)

10

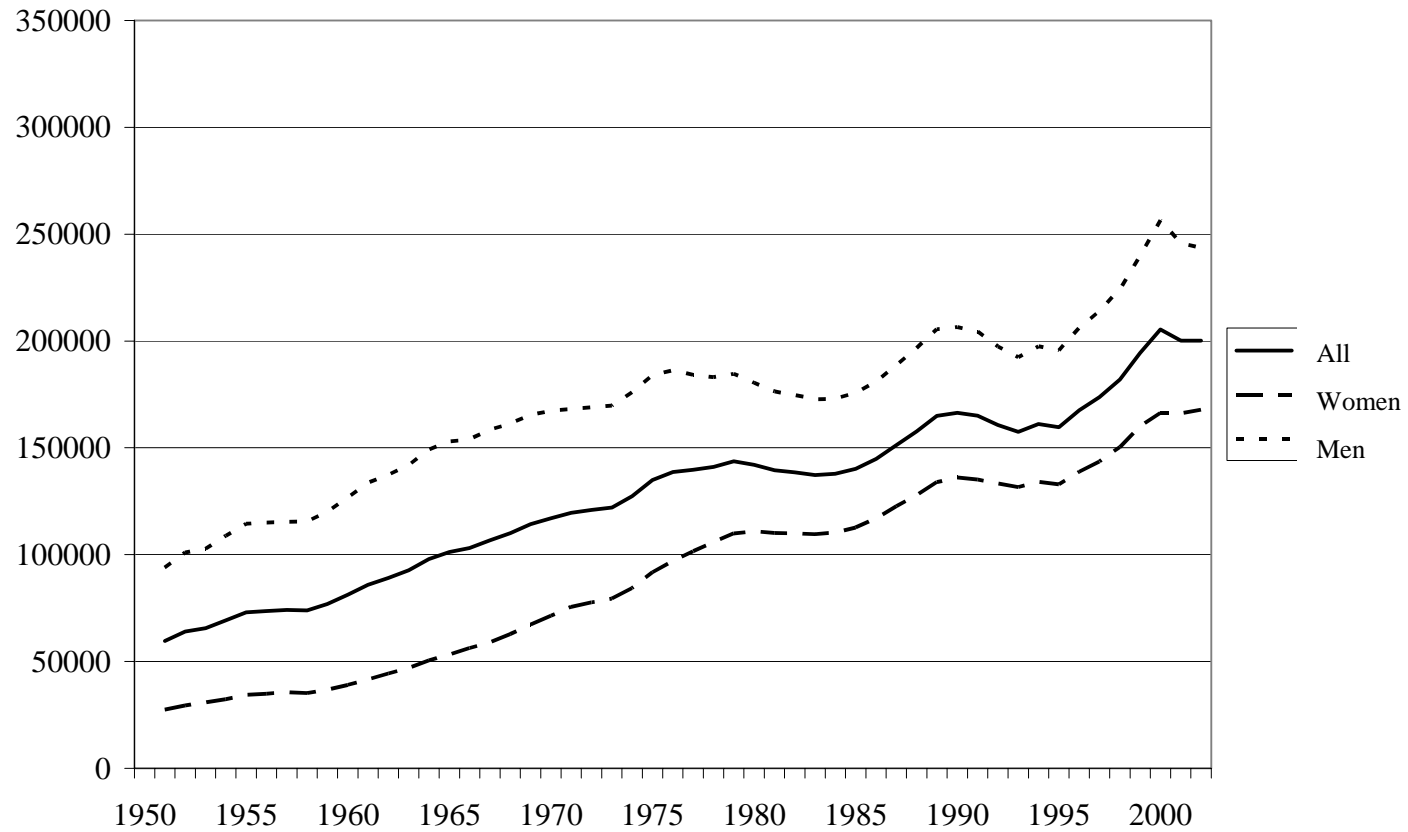


Source: Johansson (2006)



Income development (averages)

11

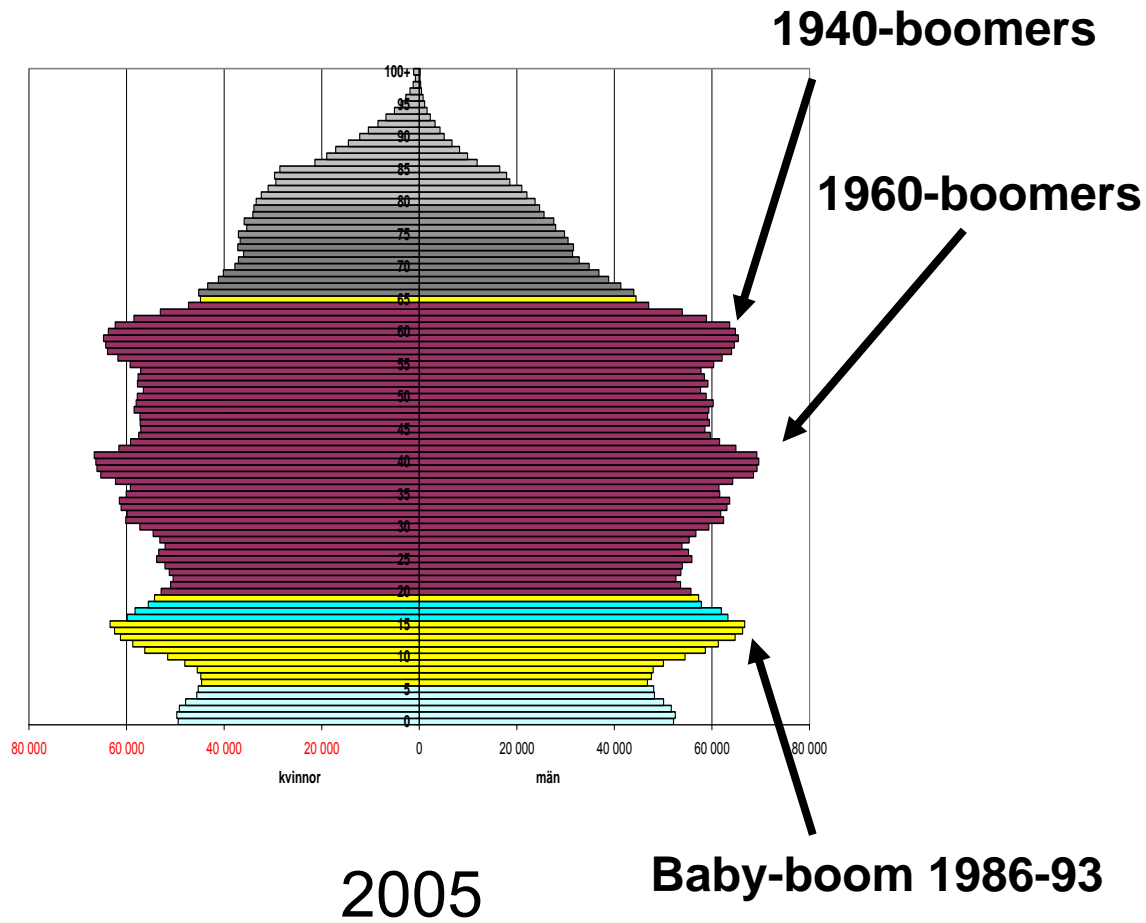


Source: Johansson (2006)

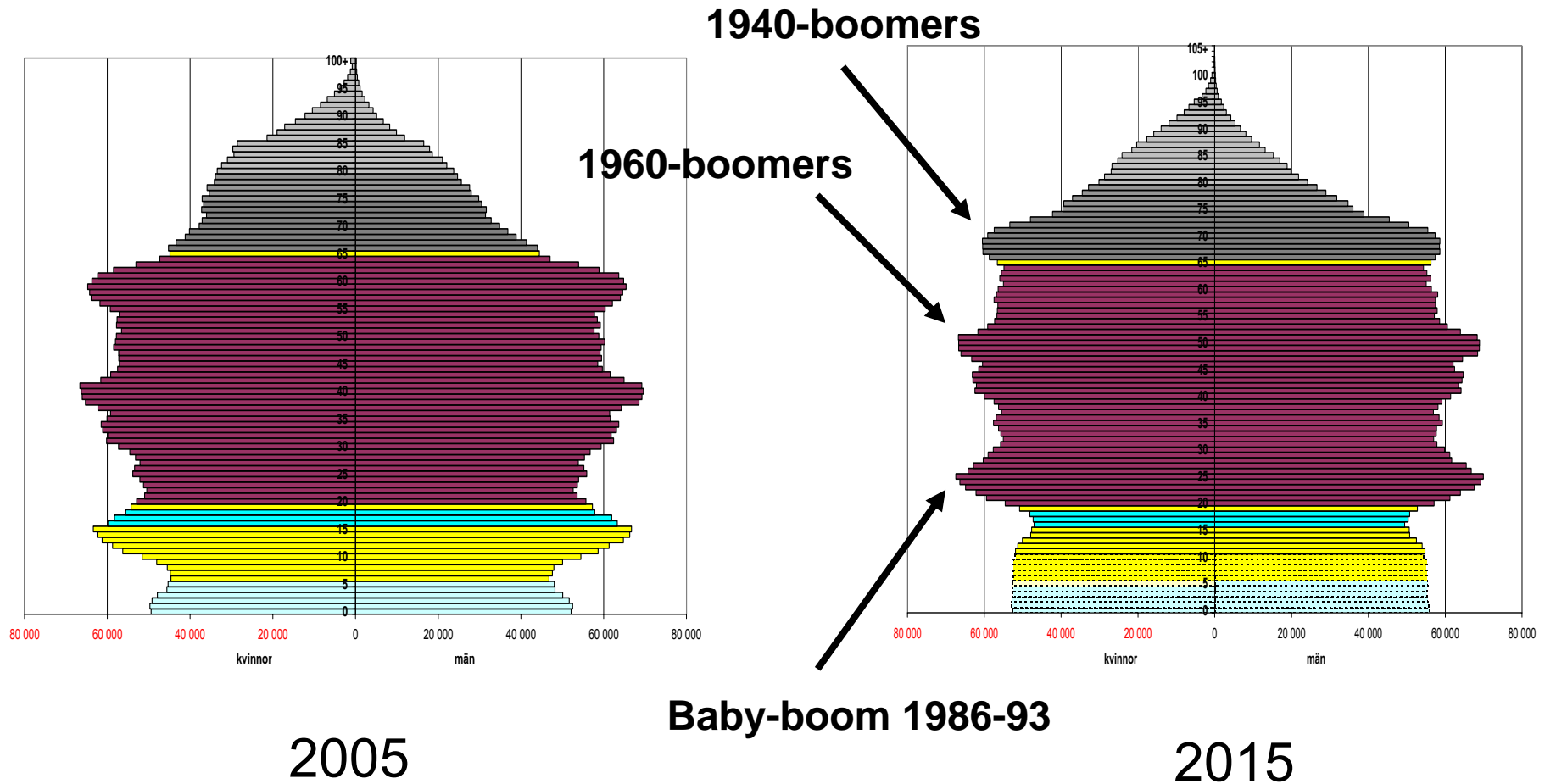


Large swings in birth cohorts...

12



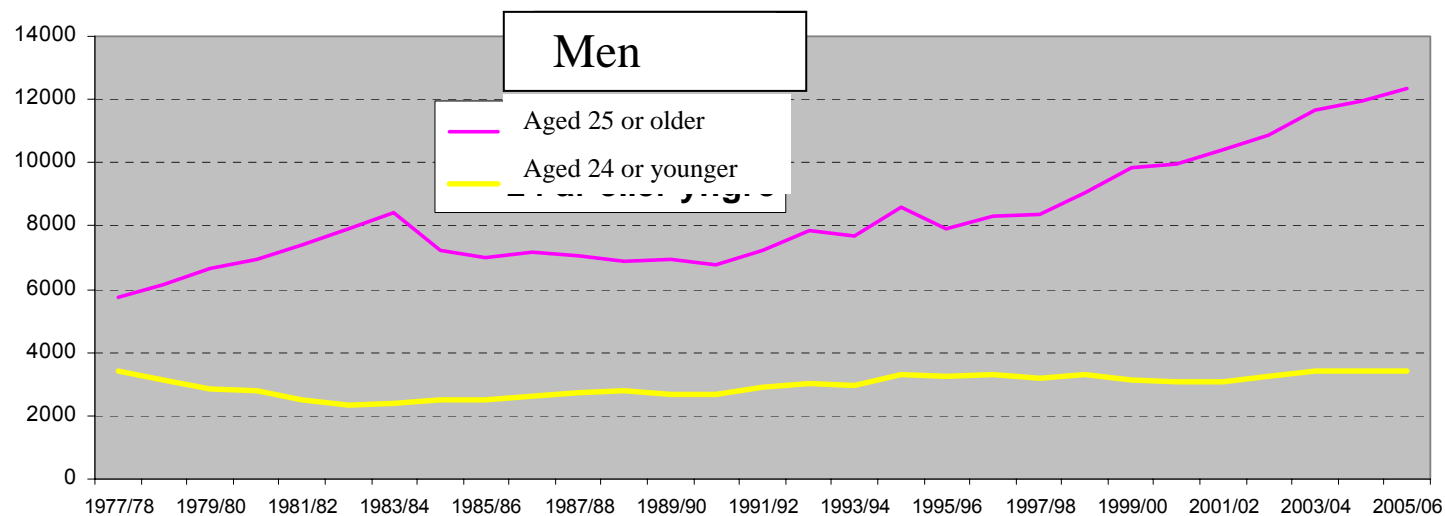
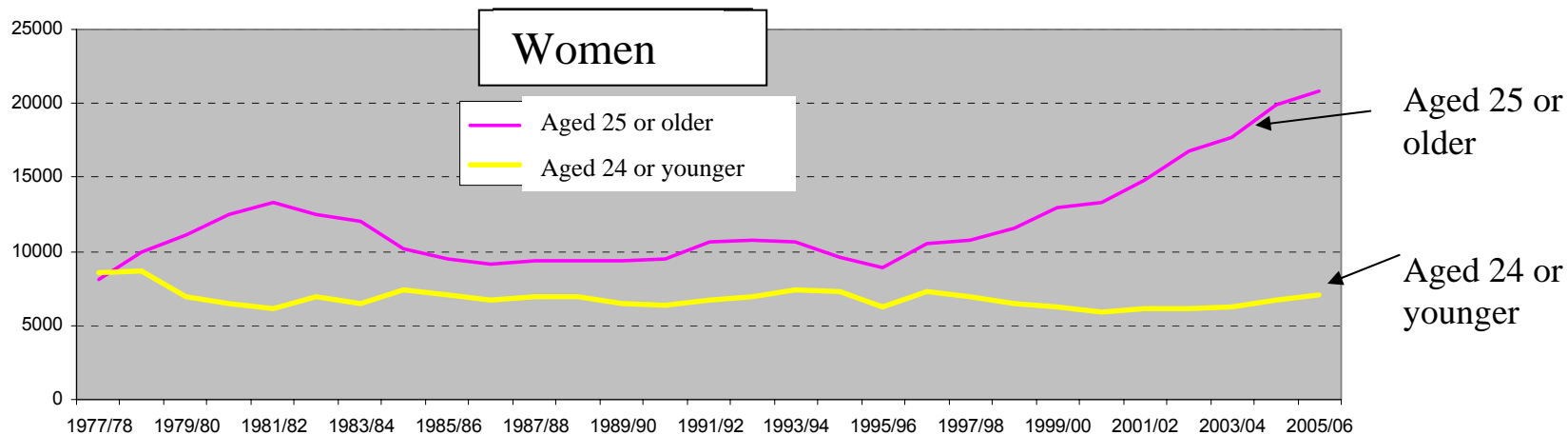
Large swings in birth cohorts...create large swings in the labor force ¹³



Prolonged education programs and/or later enrollment

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University diplomas by age

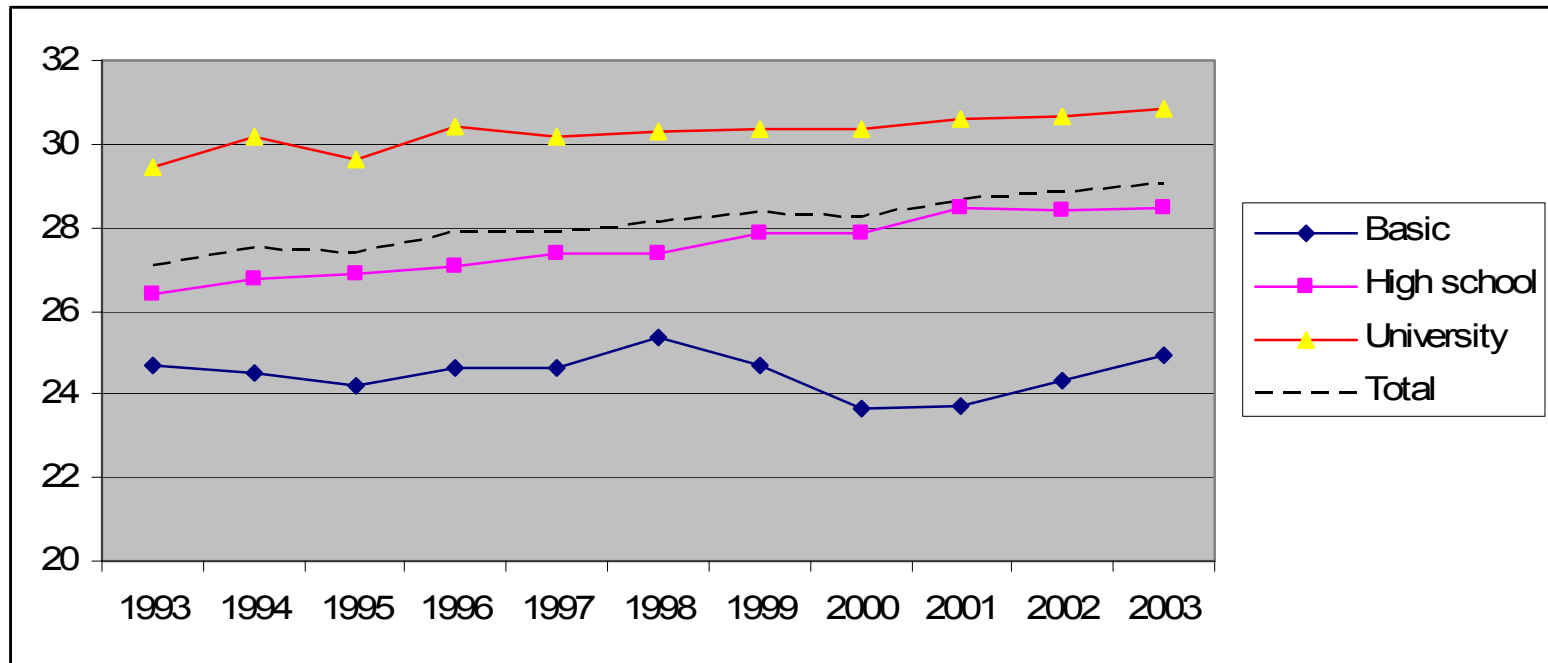


Source: SCB

20 oct
2008

Delayed first births –high educated wait longer

15



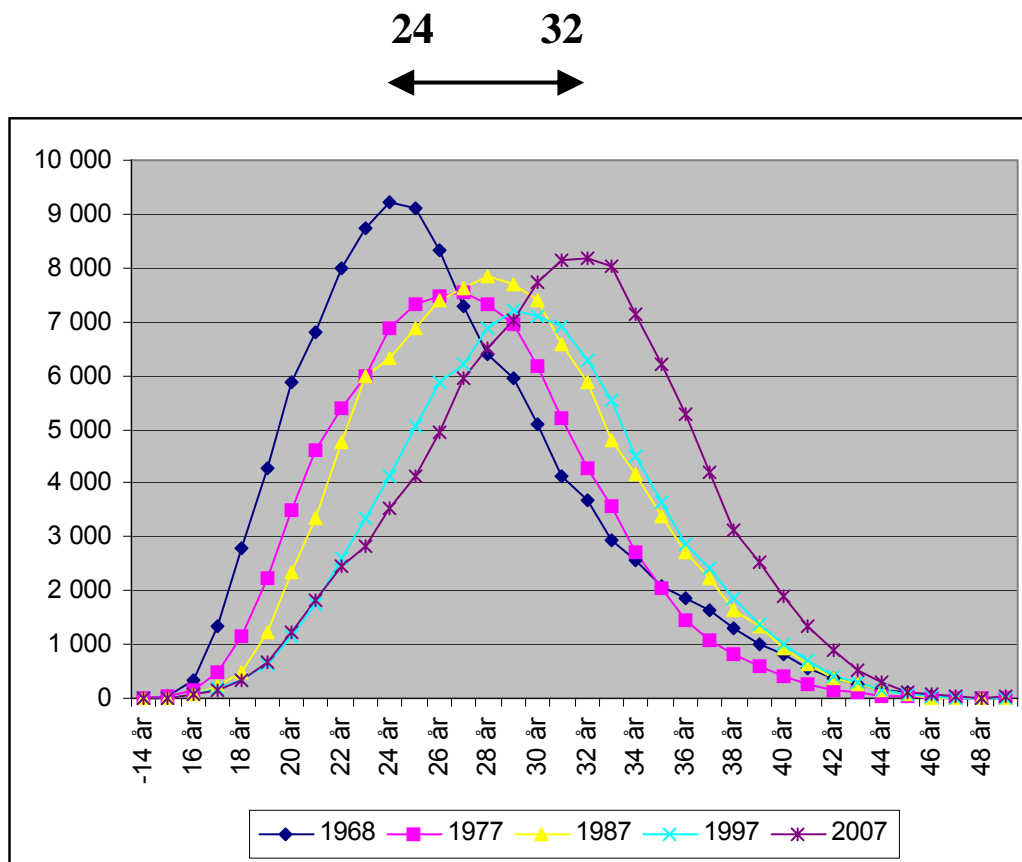
Age of mother at first birth

Source: LINDA



Delayed childbearing

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Age of mother at birth

Source: SCB



Public consumption

- * Generational analysis data base
Ministry of finance
1930-1997 real data (LINDA fex)
1998-2110 simulated data (SESIM)

- * A broad array of official sources
(Statistics Sweden) data on 2000-03

Income data, e.g., Labor earnings, Taxes, transfers, etc.

- * Income data from LINDA 1968-2006

Private consumption

Household expenditure surveys (HUT)
1978 1985 1988 1992 1995 1996 1999
2000 2001 2003 2004 2005

Complete years (as of now)

1985 1988 1992 1995 1996
2000 2001 2003



Generational analysis (GA) data & LINDA

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The GA data set is a 19% random sample of 'sample-individuals' from the LINDA data base, corresponding to about 58,000 observations per year.

The GA follows individuals, and their households, back to the 1930s, but here we present data from 1985-97

LINDA is is about 3% of the population, about 300,000 per year

Individual income, public transfers, taxes, imputed payroll fees.

Gender, age and year specific estimates of public consumption on education, health, elderly care, etc.



Private consumption from Household expenditure surveys (HUT)

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Household expenditure surveys (HUT) are available in 12 years!

1978 1985 1988 1992 1995 1996 1999 2000 2001 2003 2004 2005

Covers sample persons aged 0-79 & their hh members

Sample size and non-response rates vary, e.g. in 2003, random sample of 4000 in ages 0-79, with 42% non-response

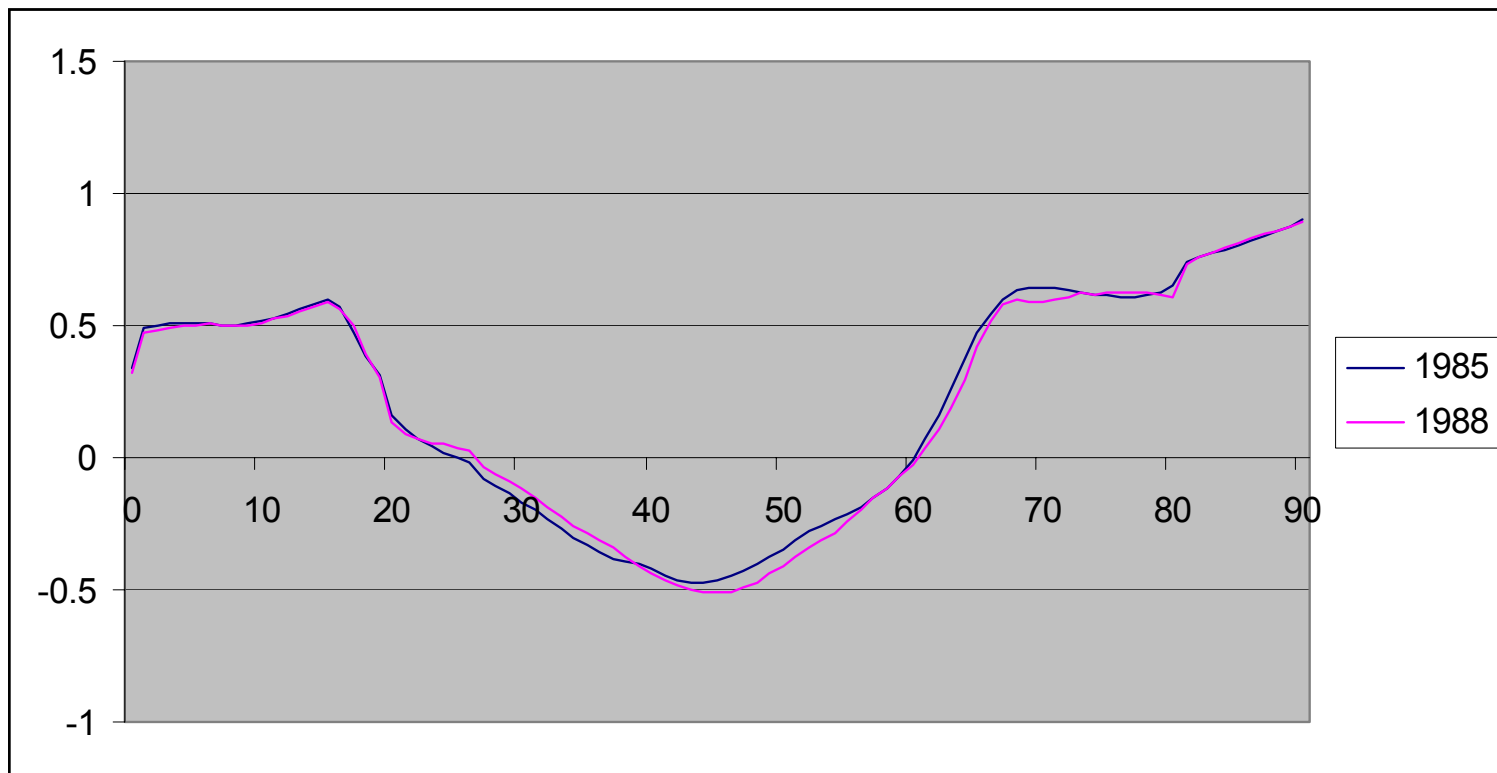
To some extent sample weights compensate for this

We tried to classify expenditure items over years so that they follow NTA framework, but this is sometimes not possible. Nevertheless age profiles seem rather stable



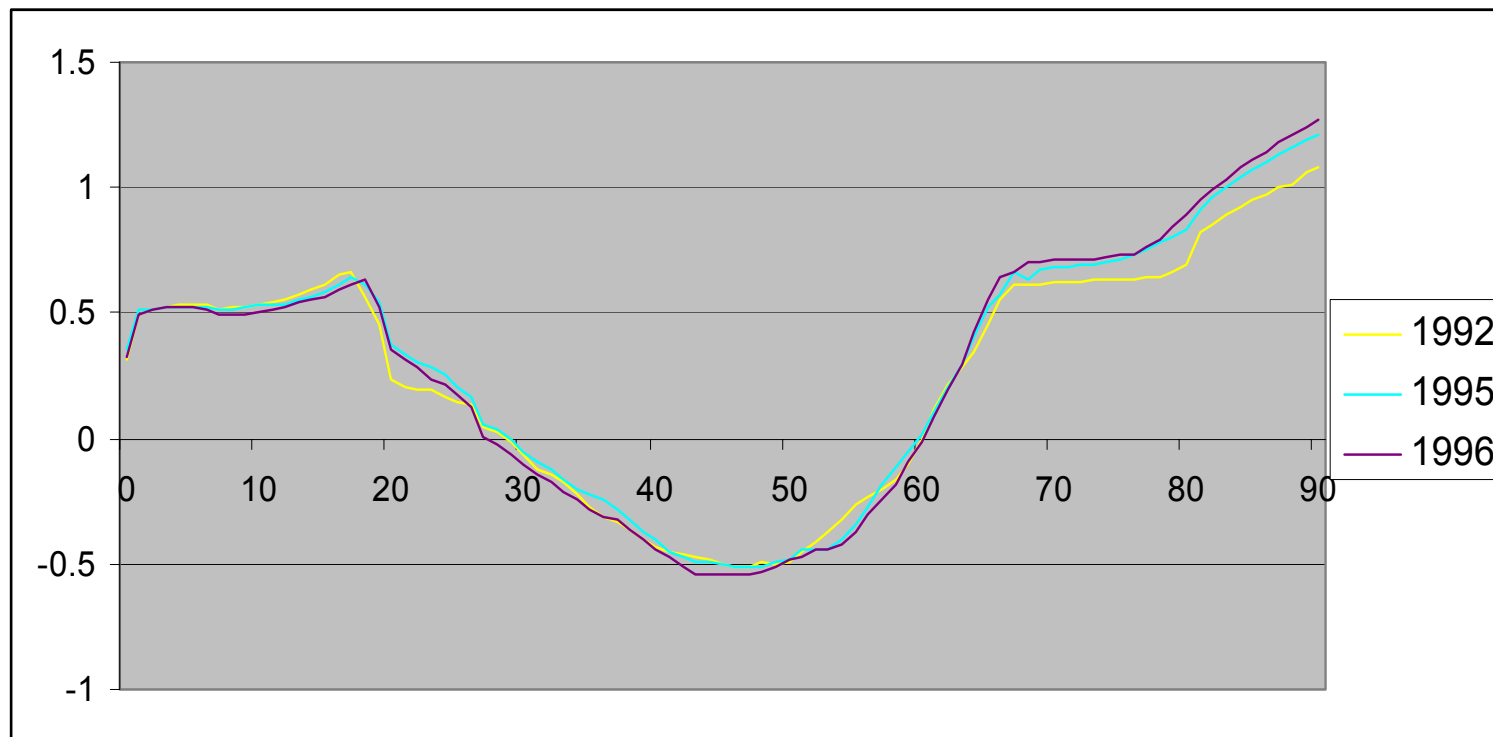
Life Cycle Deficit

20



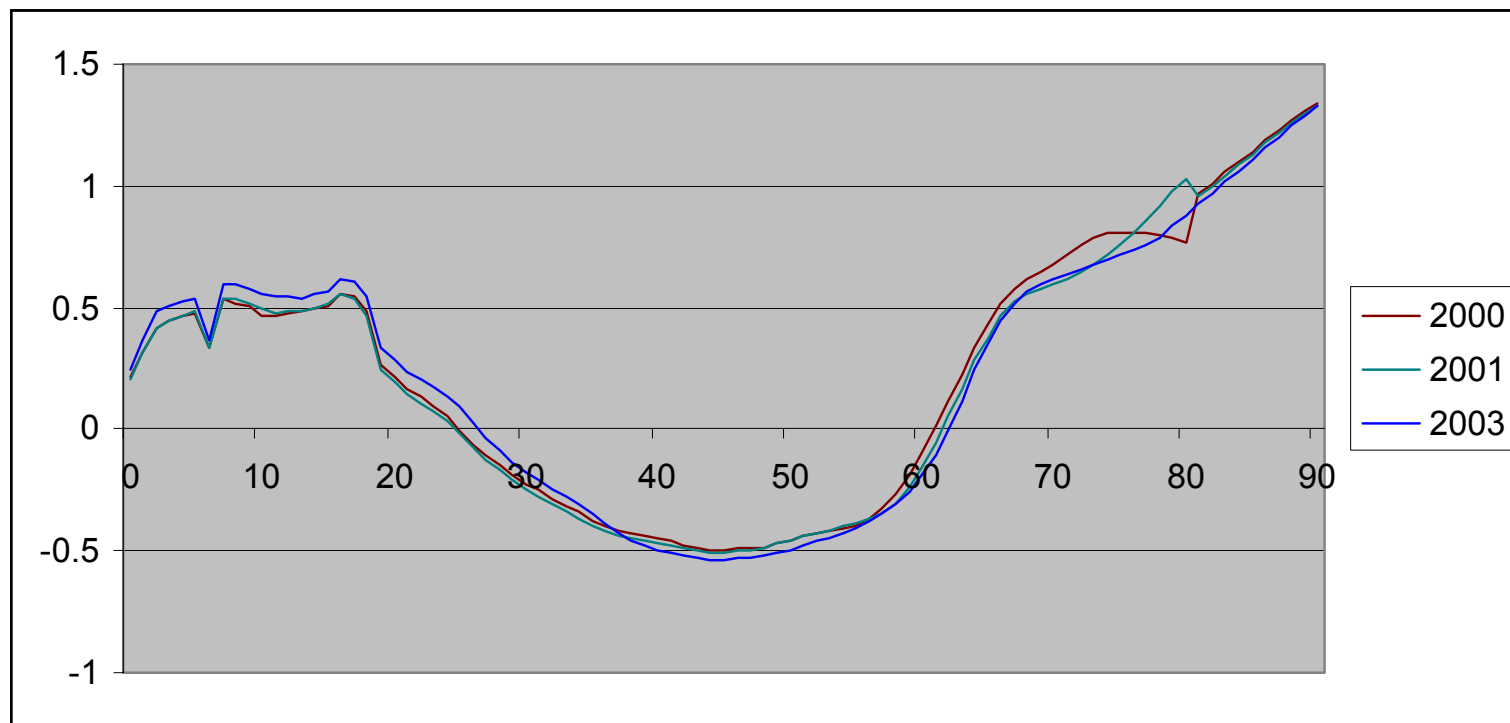
Life Cycle Deficit

21



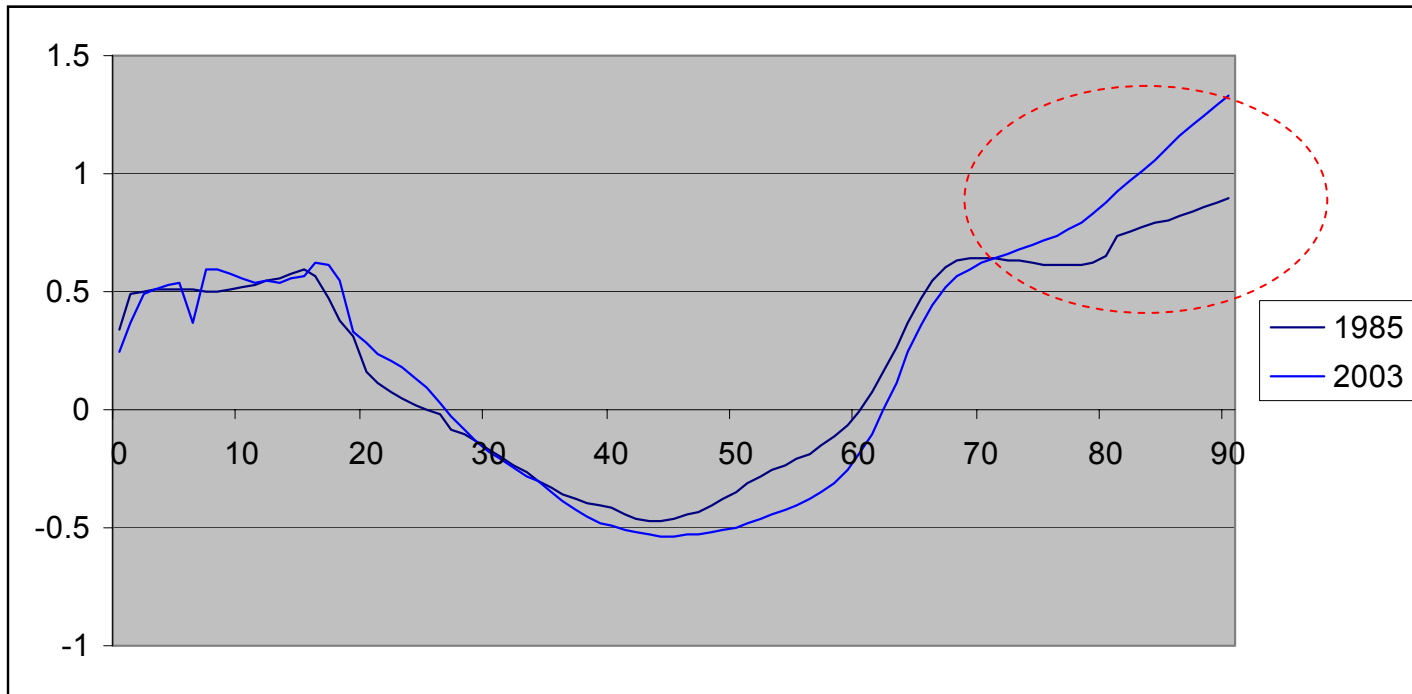
Life Cycle Deficit

22



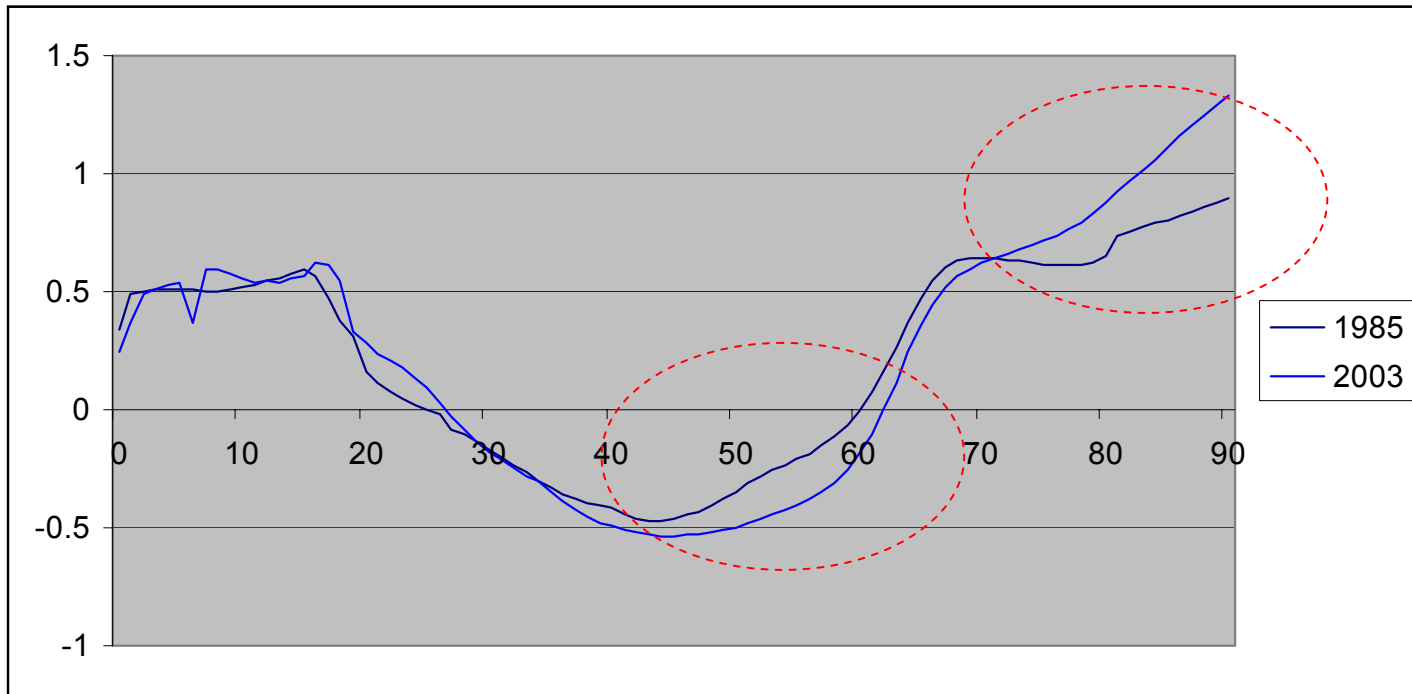
Changes between 1985 and 2003

23



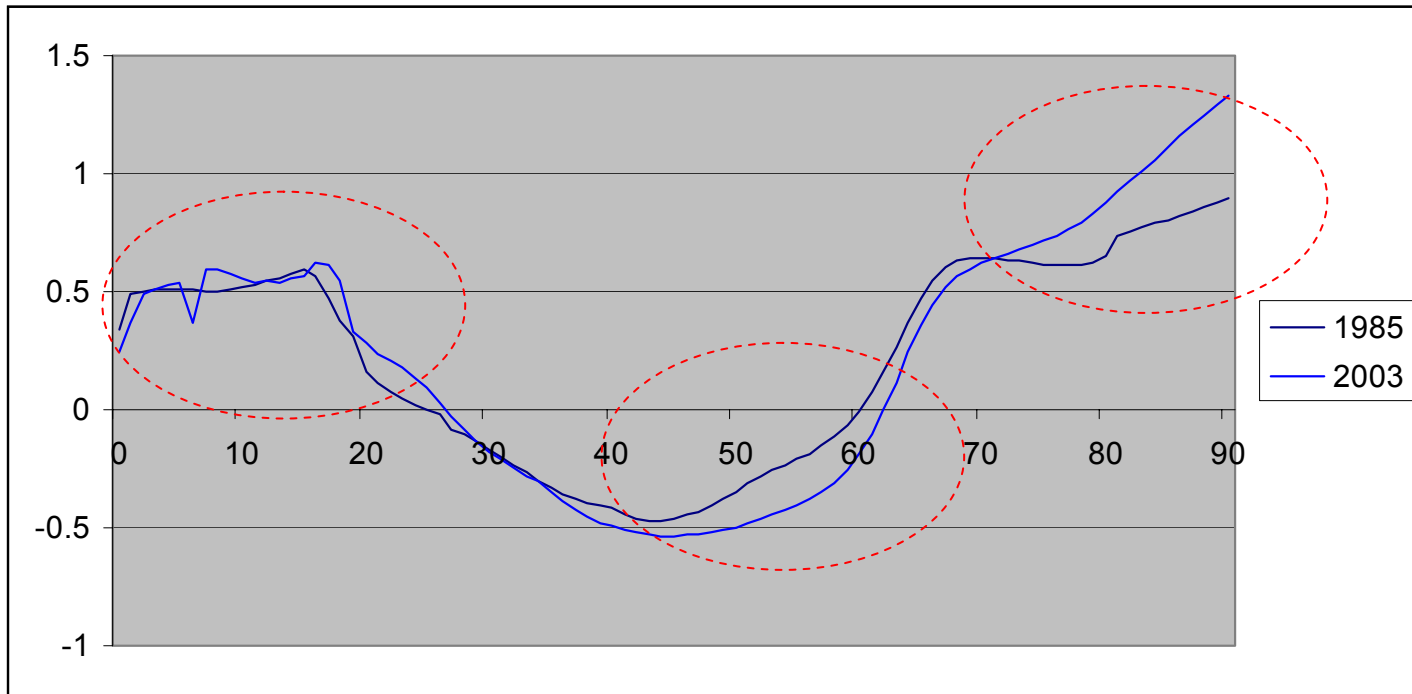
Changes between 1985 and 2003

24



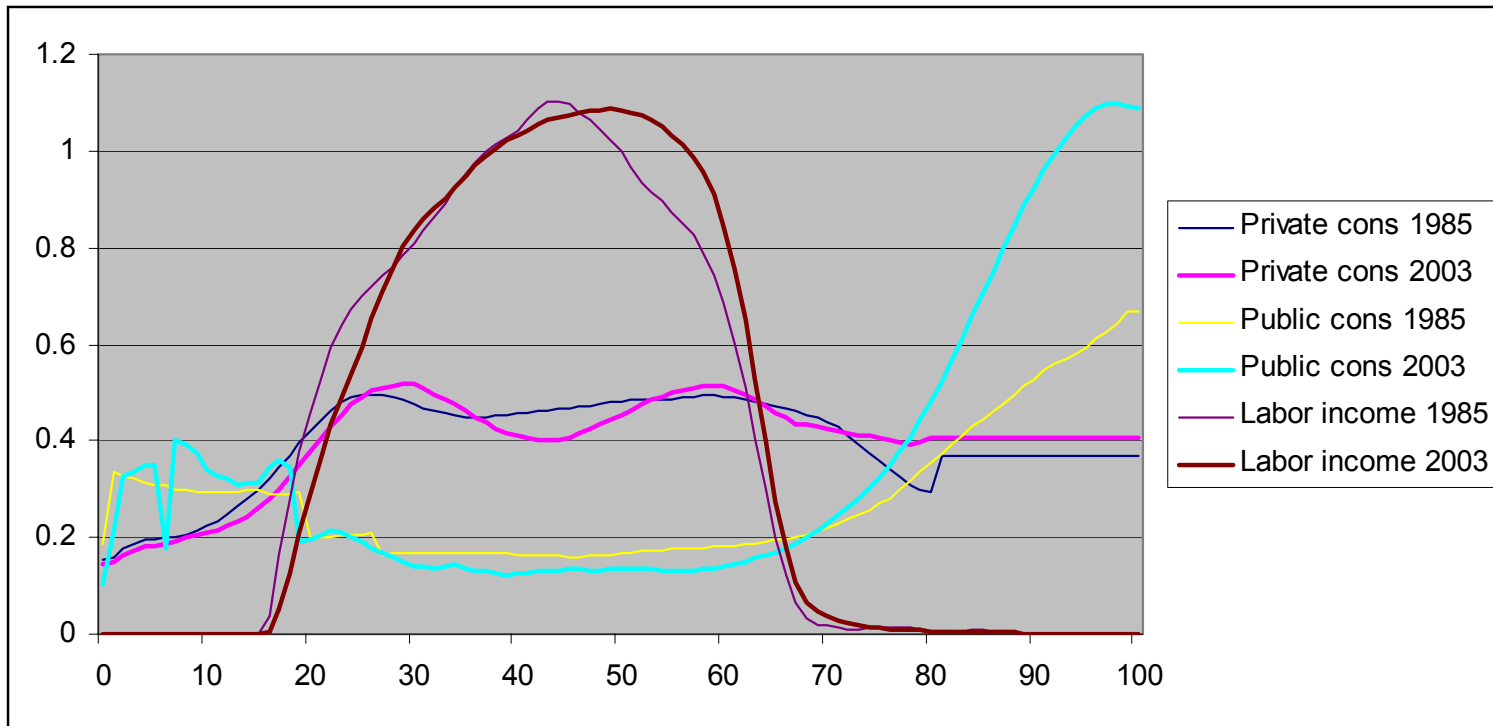
Changes between 1985 and 2003

25



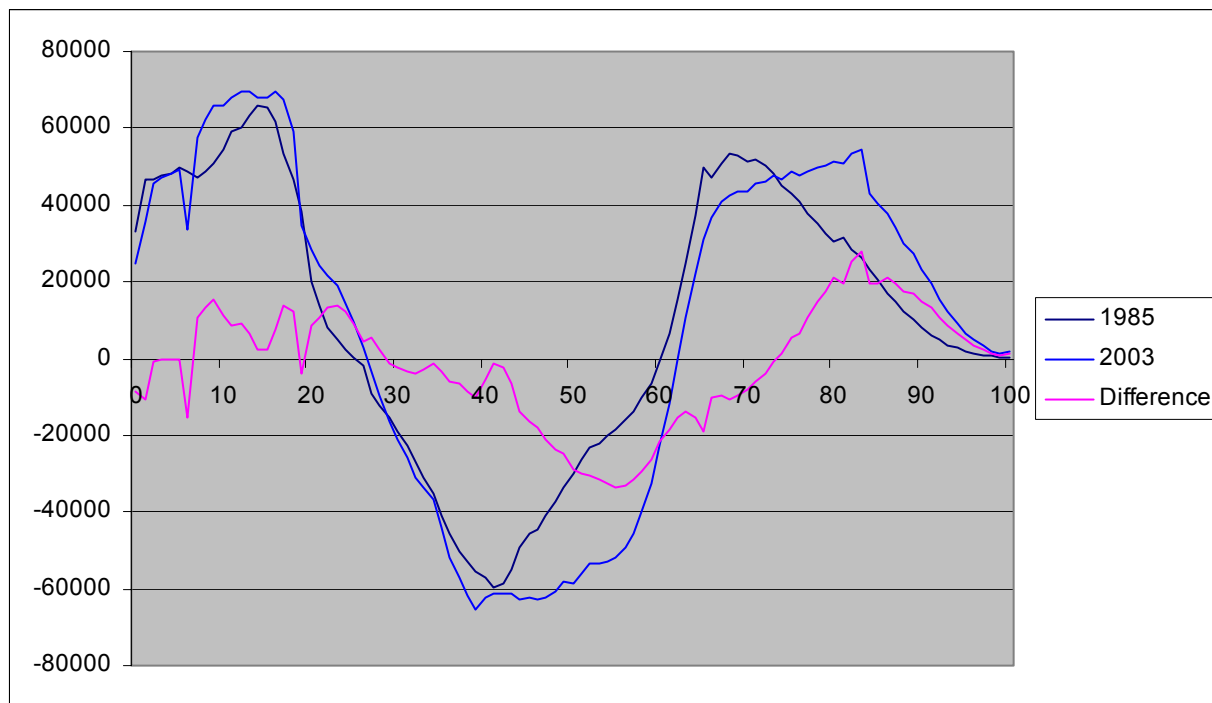
Comparison per capita profiles of labor income and consumption, 1985 and 2003

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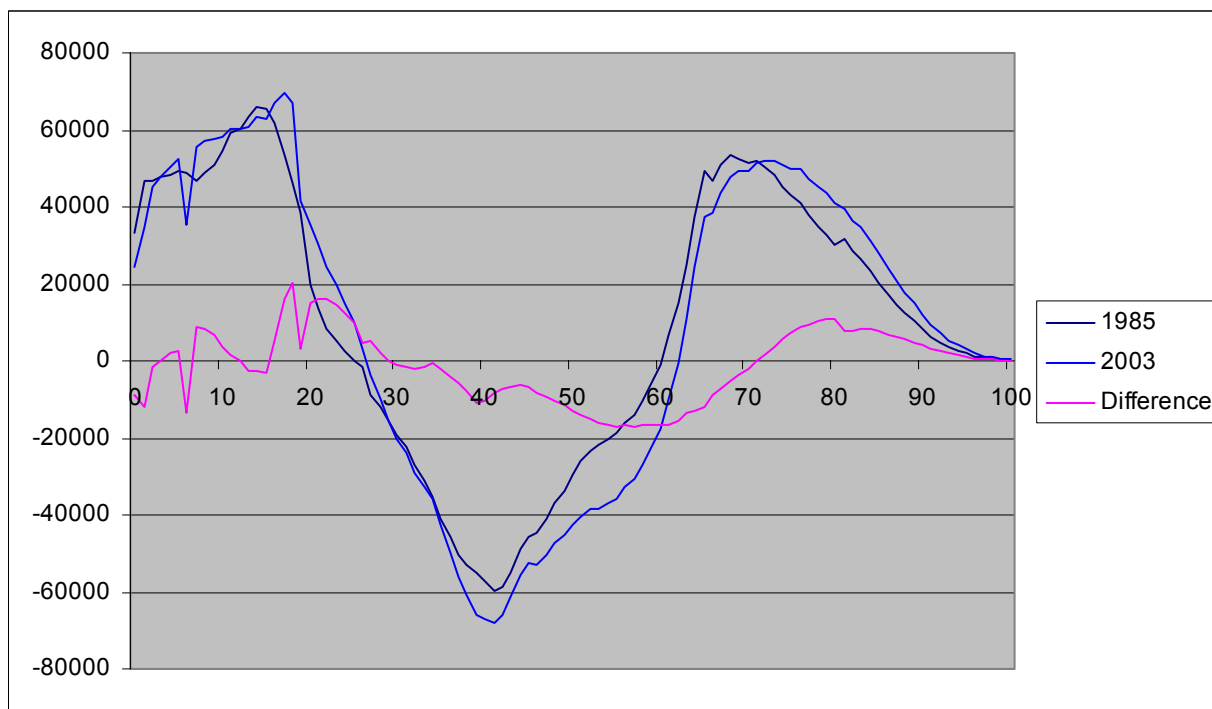
Life cycle deficit weighted by population current year

27



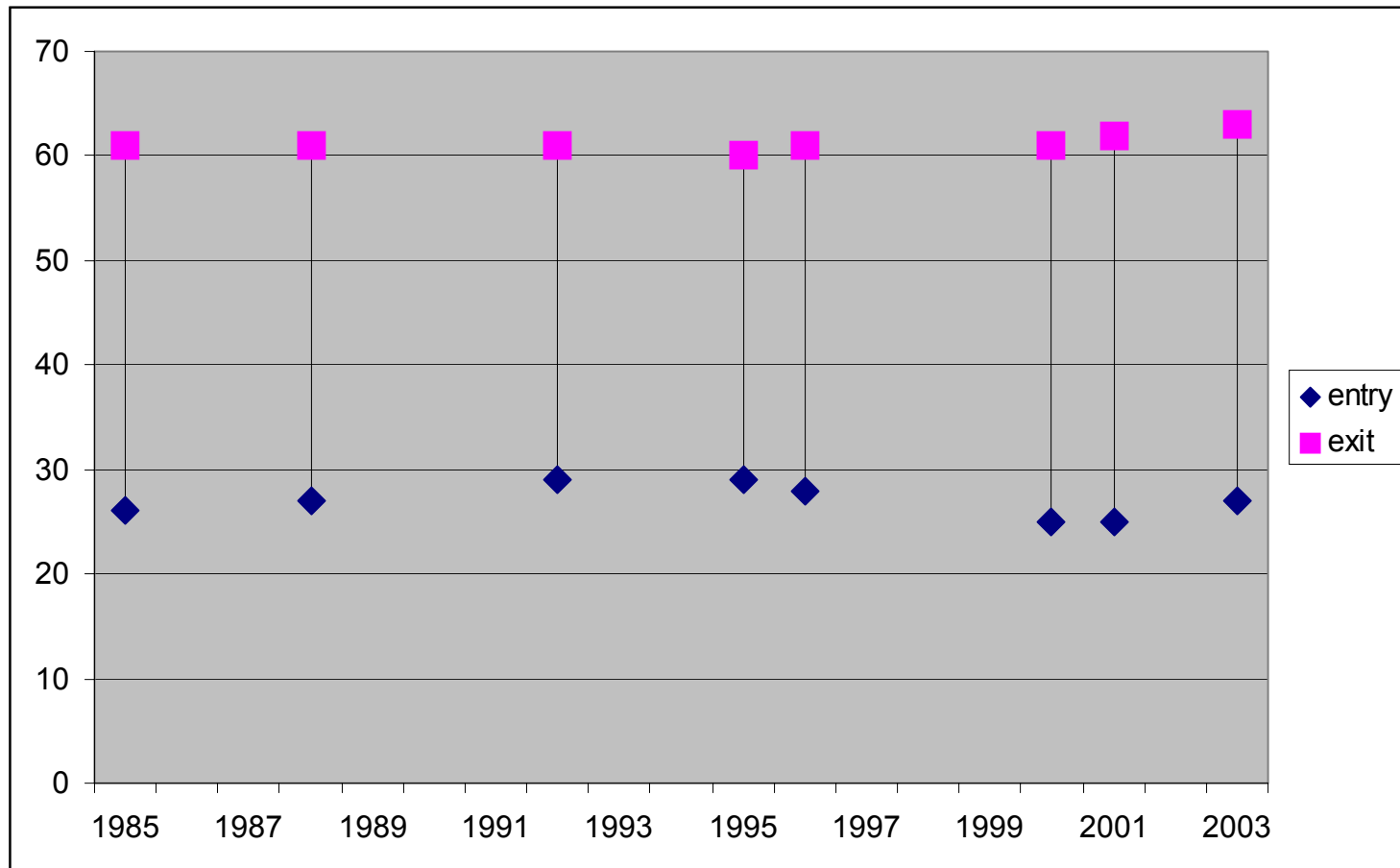
Life cycle deficit weighted by population year 1985

28



Average age of entry (production>consumption) and exit (production<consumption)

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Trends in average age of production (labor income) and consumption, weighted by population

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