

# *Change and Resilience in Welfare State Policy. The Politics of Sickness Insurance in Norway and Sweden*

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## **Abstract**

*This article compares the processes of reforming sickness insurance in Norway and Sweden. Despite the many similarities between the Norwegian and Swedish welfare states, they have taken different paths when it comes to reforming their sickness insurance systems. In the period between 1990 and 2010 Sweden changed its wage replacement levels and levels of employer financing several times, while in Norway they remain basically unchanged since 1978, notwithstanding many reform initiatives by political authorities. Why have the two cases evolved so differently? We address this question by using Peter Starke's review of the retrenchment literature which outlines four major strands of theorizing the politics of welfare reform: neo-functionalism, conflict theories, institutionalist theories and discourse theory. Rather than treating these as providing competing explanations, the article suggests that elements from all perspectives bring insights to the case. The need for policy reform must always be communicated in a way that can be understood and approved in order to materialize as actual policy change. But discursive change and apparently seductive frames will not always be enough. This comparative analysis illustrates that the chance of success for new frames or discourses depends on the institutional, political and functional context into which they are inserted. Similar attempts at framing the need for reform and cutbacks have had different effects in the two countries depending on the character of the counter forces and extant frames reformers are up against. On the other hand, over time discourses and frames also shape institutions and political relations.*

## **Keywords**

*Sickness insurance; Policy change; Discourse; Institutions; Norway; Sweden*

## **Introduction**

The history of policy change and resilience in Norway's and Sweden's respective sickness insurance systems makes a compelling case for comparison. Despite the many similarities between the Norwegian and Swedish welfare states, they have taken different paths when it comes to reforming their sickness insurance systems. In the period between 1990 and 2010, which is the

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main focus of our investigation, Sweden changed its wage replacement levels and levels of employer financing several times, and, lately, substantially tightened the conditions for remaining on sick pay over time. In Norway by contrast, the compensation levels and levels of employer financing have remained basically unchanged since 1978, despite several attempts by political authorities at changing them in order to increase employees' work incentives and employers' incentives to prevent absenteeism. Instead, a number of tripartite agreements (IA) led to a strong focus on workplace-orientated measures with close follow-up during sick leaves.

Our question is simply, why have the two cases evolved so differently? Around 1990, both countries had established very generous sickness insurance systems (Kangas 2010), where most employees in practice enjoyed full wage compensation. Both have also experienced comparatively high levels of sickness absence (NOSOSCO 2006: ch. 6; Palmer 2004).<sup>1</sup> On the other hand, they also enjoyed high employment levels, particularly amongst women and the elderly – groups that are also more prone to sickness absence (Normann *et al.* 2009). Politically and institutionally, there are important similarities. Both are multi-party systems with historically strong social democratic parties and both were run by minority governments until the mid-2000s. In 2005 a red-green majority coalition came to power in Norway, while a non-socialist majority coalition gained power in Sweden in 2006. They share a history of centralized wage bargaining and corporative traditions, but in the area of sickness insurance tripartite negotiations and agreements played a greater role in Norway than in Sweden. Also, economic fluctuations hit the countries differently. Both experienced unemployment in the early 1990s, but the crisis in Sweden was deeper. Also, in the 2000s Norwegian unemployment levels were below Sweden's and the state's finances were comfortably assisted by its oil riches. Lastly, particularly in the 2000s, both countries experience heated debates on the issues of sickness absence and sick pay. Strong claims of overuse were made, but these kinds of discourses seem to have had a stronger impact on policy in Sweden than in Norway.

Being so similar but yet with important differences, the two cases provide a fertile empirical basis for discussing the intricacies of welfare state change and resilience. Through detailed descriptions and comparison of the two cases we aim to throw light upon the different and interrelated factors that play a part in policy development.

## **Explaining Welfare State Change and Resilience**

Since Paul Pierson's seminal work, *The New Politics of the Welfare State* (Pierson 1996), much energy has been spent in social policy studies on discussing the phenomenon and possibility of retrenchment. One of Pierson's main points was that the period of welfare state expansion has been replaced by an era of austerity and claims to limit and roll back welfare state growth. This politics of retrenchment requires different sets of explanatory models than earlier theories, which were developed to explain the generally popular policies of welfare state expansion. Pierson observes that welfare states are surprisingly resilient towards cutbacks and change, and suggests two main explanations.

First, it is hard to build political support for welfare cutbacks. Such changes tend to be unpopular amongst voters, and thus carry considerable risks in terms of voter loss. Second, the welfare state has itself generated strong and well-organized interest groups, so that the relatively few who have the most to lose from cutbacks are in a better position to fight back than the more diffuse and dispersed tax paying public who stand to gain.

Gradually, the puzzle engaging researchers has changed from the resilience of the welfare state noted by Pierson, to the question of why and how cutbacks have nevertheless taken place. Despite the unpopularity of welfare cuts, politicians have actually strived to implement such policies and, sometimes, succeeded. While it seems that Pierson's picture of resilience is consistent with the recent decades of stalled attempts at increasing self-risk in the Norwegian sickness pay system, Sweden fits better with the observation that welfare cuts actually take place despite resistance.

In a review of the retrenchment literature, Peter Starke (2006) outlines four major strands of theorizing the politics of welfare reform. First, neo-functionalism views reform as a response to external and internal pressures. Second, conflict theories explain reform by reference to political struggles over distributive decisions. Third, institutionalist theories stress the importance of different political institutions in enabling or hindering reform. Fourth, variants of discourse theory highlighted the role played by ideas, discourse and framing in enabling (or preventing) reform. At first glance, the harsh contrast between the economic crisis in Sweden in the 1990s and the oil riches of Norway may seem to provide the entire explanatory arsenal that is needed. We wanted to delve deeper into the developments. In particular, we are curious to explore how fairly similar ideas and ways of framing the need for sickness insurance reform seem to have had different impacts in the two countries. Thus we suggest that elements from all four theories have something to contribute to an explanation.

After some initial remarks on data and analysis, we outline how policy-making and attempts at reform of the sickness insurance systems have evolved in Norway and Sweden respectively. Then, we discuss these developments in the light of Starke's four theories of understanding what enables and hinders welfare policy reform.

## **Data and Analysis**

This article comes out of a project primarily concerned with the evolution of the Norwegian political debate on sickness absence from the late 1970s until today. For reasons outlined above, it soon became clear that a comparison with Sweden could provide important insights, and the second author was thus invited to contribute to such a comparative analysis. For the wider project, the data collected in Norway includes all public commission reports and White Papers where sickness absence or sickness insurance were major topics, and all parliamentary Bills and subsequent parliamentary debates which affected the legal regulation of sickness insurance. In addition, media texts were collected from the periods where the IA agreements were most actively debated. We have not done a systematic content analysis of the media

texts for this article, but used it to provide background information about the political process and context. For the Swedish part of the analysis, we focused data collection at the 1990s and 2000s – a period where we see the two countries diverging. Here also we studied public official reports, Bills and parliamentary debates, concentrating on those that discussed compensation levels, waiting days, employer financing and the length of insurance time. Although there were other policy changes in the Swedish sickness insurance system during the study period (e.g. on rehabilitation), we paid particular attention to these issues because the two countries deviate in interesting ways on these dimensions. The ‘rehabilitation chain’ reform in 2008 constituted a major change to the Swedish sickness insurance system, and we give an overall picture of its contents and some of the main arguments used.

Each author made careful readings of the policy texts from her own country and wrote extensive memos outlining the political developments, important proposals and changes in policy and specifying which types of arguments that were used by different actors at different points of time to argue for the relevant policy proposals. These formed the basis for the comparisons made in this article.

The wider project’s focus on discourse means that policy texts comprise the core of our data material, and that our initial question was whether differences in the discourses about sickness absence and sickness insurance could explain the variation in policy development. However, as our study progressed it became clear that discursive differences alone could not provide sufficient explanation, but that analysis of how other factors such as economy, political struggles and institutions interacted with discourse would provide a fuller account of the developments. For both countries we thus referred to secondary literature in order to get a broader picture of the developments and benefit from other scholars’ analysis of the economic and political contexts in the respective countries.

### **Norwegian Sickness Absence Pay – A Story of Inertia?**

The Norwegian sickness insurance as we know it today was established in 1978. Large variation with respect to sick pay compensation was replaced by a universal system comprising all employees. For employees there were no waiting days and 100 per cent wage compensation (up to a fairly high maximum ceiling, which has since been reduced). Employers were responsible for sickness payments in the first 14 days of absence, after which the National Social Security Fund would carry the costs. The maximum duration of a sickness absence spell was one year, after which those who did not return to work were transferred to schemes with lower compensation levels. Thus, the result was a system for sick pay where employees carried a limited part of the risk, while employers paid for short-term absence, and the state for the longer sickness spells.

From the late 1980s growth in sickness insurance costs, and social security costs in general, spurred initiatives to reduce spending. Although employment levels were relatively high, the growth in number of working age persons receiving health-related benefits caused political concern (St. meld. nr. 15

(1989–90)). More people in work, fewer on social security – ‘the work line’ – became the main slogan for welfare policy development in the 1990s (St. meld. nr. 35 (1994–95)). This is a broad ambition with implications for several policy fields: parental leaves and childcare facilities enabling mothers to work, training and rehabilitation to include incapacitated persons into the labour market, work environment efforts to make workplaces inclusive, and so forth. Here we are concentrating on the policies aimed at reducing sickness absence, and in particular on the claims which have been made repeatedly over the past two decades to increase employers’ and/or employees’ degree of self-risk in order to reduce sickness absence levels. As summarized in table 1, almost none of these claims – whether in the shape of advice from government-appointed commissions or actual bills presented to Parliament – have been successful.

Rather, we see a pattern where periods of increasing sickness absence levels (late 1980s, late 1990s, late 2000s) led to the appointment of expert commissions (NOU 1990, 2000; Mykletunutvalget 2010), which all recommended changes in the incentive structures. After a period of fierce political debate, the government and the social partners agreed on closer and more binding collaboration in order to reduce sickness absence levels through workplace initiatives, while calls for reduced replacement levels or extended employer funding were shelved.

Following the increase in sickness absence in the late 1980s, the Social Democratic government in 1989 appointed a public commission to analyze the development, assess and propose improvements to existing policies. However, political developments meant that the broadly composed commission was effectively sidelined. Later in 1989 a newly appointed centre-right coalition government made the highly controversial proposition of reducing the compensation levels to 90 per cent and extending the employer period to three weeks. The parliamentary majority agreed that it was necessary to establish measures to stem the increase in sickness absence, but insisted that alternatives to cutbacks had to be explored in collaboration with the social partners. A binding three year agreement between the government and the social partners was subsequently negotiated establishing a range of initiatives to reduce absence levels *on the condition* that no further proposals to change compensation levels or employer funding were made. As the existing regulations were not to be touched, the commission was effectively barred from making specific proposals regarding the economic incentives in the insurance. It nevertheless argued that extended employer responsibility also for long-term absence would stimulate employers to work more actively towards reducing long-term sickness absences, but conceded that this would not be possible in the current situation (NOU 1990).

After the 1991 agreement expired, a range of government proposals followed to extend the period of employer-funded sick pay. These all argued that this would increase employers’ motivation to improve the work environment. But, as indicated in table 1, only one was adopted, extending the employer period from 14 to 16 days. To date, this is the only significant alteration to the basic structure of risk distribution in the Norwegian sickness insurance system since 1978.

Table 1

Formal proposals made by public commissions and governments to change compensation levels and/or employer funding in Norwegian sickness insurance, 1989–2010

Proposal	Made by	Put into practice
Budsjett-innst. S. II (1989–90): extend employer period to 3 weeks + 90% wage compensation	Non-socialist minority government coalition	No
NOU 1990: the majority (excl. LO) state that longer employer period and/or lower compensation levels will be efficient in reducing sickness absence, but that such changes are not possible in current situation	Broadly composed commission	–
Ot. prp. nr. 9 (1992–93): extend employer period to 4 weeks + 20% co-funding	Social Democratic minority government	No
Ot. prp. nr. 4 (1996–97): extend employer period to 3 weeks	Social Democratic minority government	No
Innst. O. nr. 7 (1997–98): extend employer period to 16 days	Compromise proposal, reached under centre parties coalition minority government	Yes
Ot. prp. nr. 73 (1997–98): extend employer period to 3 weeks	Centre parties coalition minority government	No
Ot. prp. nr. 4 (1998–99): extend employer period to 3 weeks	Centre parties coalition minority government	No
Ot. prp. nr. 53 (1999–2000): extend employer period to 3 weeks	Social Democratic minority government	No
NOU 2000: additional employer funding of 20% for days 17–365; reduced wage compensation (80%) days 1–16	Broadly composed commission; employees' confederations dissented on latter part	No
St. prp. nr. 1 (2006–07): new model for employer funding:	Red-green majority government coalition	No
– days 1–14: 100%		
– day 15 to 6 months: 20%		
– 6 months to 1 year: 10%		
Mykleunntvalget (2010): new model for employer funding to encourage use of partial sick leave:	Expert commission	No
– days 1–10: 100%		
– day 11 to 8 weeks: 0%		
– 8 weeks to 1 year full time: 20%		
– 8 weeks to 1 year part time: 0%		

Note: LO = Norwegian Confederation of Trade Unions.

Meanwhile, sickness absence levels started to rise again after a temporary slump in the early 1990s. With absence rates again on the rise a new commission (with broad representation from the social partners) was appointed by the government in 1999. Its report (NOU 2000) was written in the spirit of the 'work line': in order to finance the welfare state in times of population ageing, more people in work and fewer on benefits were imperative. Two kinds of measures were proposed to achieve this. First, the underlying idea in the report's approach to tackle sickness absence was workplace-orientated measures: employers and employees had to be made responsible for sickness absence, while the role of the state should be to facilitate these actors' own efforts. The emphasis should not be on sickness, but on the individual's ability to function in the workplace. The ideal was facilitation and adaptation so that people could work even when in poor health. Second, the commission also recommended changes to the economic incentive structure. It wanted to make employers responsible for 20 per cent of the sick pay costs after day 16, thus stimulating employers to work actively to reduce also long-term absence. The majority also wanted to increase the self-risk for employees by reducing the income replacement rate by 20 percentage points for the first 16 days of absence. Not surprisingly, this proved controversial. The main workers' confederation, the Norwegian Confederation of Trade Unions (LO), was particularly vociferous in its resistance to cuts in sick pay. The employees' confederation, the Confederation of Norwegian Enterprise (NHO), had initially signalled willingness to accept higher employer funding, but only on the condition that also employees must accept cuts. Following lengthy negotiations between the Labour Party government, LO, NHO and the other leading workers' and employees' confederations, the parties agreed to enter a binding agreement with the state incorporating a range of measures to reduce sickness absence by 20 per cent over a four year period. The agreement was named The Agreement for an Inclusive Working Life (*IA-avtalen*), and also included goals pertaining to the incorporation of disabled and older persons in the workforce. Again, the deal was struck *on the condition* of no further changes to the distribution of risk in the system for sick pay.

The IA agreement was renewed in 2006 and 2010, despite failure in reaching its aim of 20 per cent reduction in sickness absence (Ose *et al.* 2009). This spurred attempts at breaking the peace. Most remarkable was the centre-left government's frontal attack in 2006, where it unilaterally tried to increase employers' responsibility for sick pay (St. prp. nr. 1 2006–07). Demonstrating the strength of the social partners' commitment to the collaborative IA model, it was the LO leader, Gerd-Liv Valla, who responded most strongly and eventually forced the government to backtrack.

The latest round of renegotiations took place in early 2010, following months of heated debate regarding the yet again rising levels of sickness absence. A fast-working expert committee was appointed. Its proposed 'activation- and presence reform' argued for the use of part-time sick leave as a method for reducing long-term sickness absence (Mykletunutvalget 2010). The idea was that activity and contact with the workplace are beneficial for many people with health problems and that part-time absence thus should be the preferred option after eight weeks of absence, even if it requires extensive

adaptation and change of work tasks. To encourage this, only employers who succeeded in keeping sick employees in partial activity would receive full sick pay compensation. Despite a generally positive reception to the report, a new IA agreement was signed shortly after *without* incorporating the proposed changes in the incentive structure. The employer period was kept intact, while the use of existing measures was intensified. Such measures included the drawing up of individual follow-up plans, and compulsory dialogue meetings between the sick listed, employers, physicians and the labour and welfare services. Following a lengthy period of review by the Ministry of Labour, the proposal for a new model of employer funding was eventually shelved.

In sum, hardly any changes have taken place in the distribution of risk between employees, employers and the welfare state in case of sickness. On the other hand, new structures for monitoring sickness absence and for activating employers and employees in this process have been established. The course of a sickness absence spell has been regulated, with 'stop points' and procedures which must be adhered to. Rather than increasing employers' and employees' economic responsibility, they have been made responsible for the establishment of individual plans for relevant workplace-orientated measures, they are to enter into dialogue at compulsory meetings and aim towards the use of active measures during the sickness spell. In other words, while little has changed in terms of economic incentives, new ideas about activation, adaptation and dialogue in the workplace have gained increasing significance. Instead of ruling by the stick, one attempts to govern through the actors' own involvement in a system of dialogue and adaptation.

### **Swedish Sickness Absence Pay – A Story of Reform?**

Until the early 1990s, the Swedish sick pay system also evolved towards a minimal element of self-risk in the insurance (Edebalk 2007a). Most employees' state insurance (with 90 per cent wage compensation) was supplemented by employer-funded sick pay according to collective agreements, meaning that the vast majority received full wage compensation when sick listed. Norway and Sweden both had high wage replacement levels and high levels of absenteeism (Palmer 2004). What is remarkable about Sweden in contrast to Norway is the many changes that have taken place both in replacement rates and employer financing in this period (see table 2).

As detailed in table 2, the distribution of self-risk has since 1991 been adjusted several times. The immediate pretext was the severe economic crisis of the early 1990s. Employment from 1990 to 1993 declined by 13 per cent of the labour force. Unemployment affected 1.8 million Swedes during this decade; of whom a third was unemployed for two years or more. This in turn affected public finances, as the need for income support increased while revenue decreased (Palme *et al.* 2002).

In 1991 the Social Democratic government, with support from the right, reduced compensation levels from 90 per cent throughout to a levelled system with 65 per cent compensation for the first three days, 80 per cent until day 90 and 90 per cent thereafter. The need to cut costs and counteract increasing sickness absence levels were the main arguments. These changes were meant



Table 2

Main changes in the Swedish sickness insurance system regarding compensation levels, waiting days, employer financing, the length of insurance time and 'the rehabilitation chain' during the period from 1991 to 2008

Year	Legislative change	Type of government
1991	Reduced compensation level to 65% (per cent of salary) for the first 3 days, 80% for days 4–90 and 90% from day 91	Social Democratic minority government
1992	14 days of employer financing (employer period) introduced	Non-socialist minority government
1993	One waiting day and reduced compensation (80% for days 91–355 and 70% from day 366)	Non-socialist minority government
1996	General compensation level of 75% from day 2	Social Democratic minority government
1997	Extended employer period from 14 to 28 days	Social Democratic minority government
1998	Higher compensation level (80%) from day 2 and reduced employer period from 28 to 14 days	Social Democratic minority government
2003	Employer period extended from 14 to 21 days and lowered compensation level (from 80% to 77.6% after day 21)	Social Democratic minority government
2005	Reduced employer period from 21 to 14 days, and partial funding of longer sickness spells by the employer; increased compensation level from day 15 (from 77.6% to 80%)	Social Democratic minority government
2007	Partial long-term employer funding abolished	Non-socialist majority government
2008	Rehabilitation chain introduced, with testing of work abilities; length of sick pay restricted to 364 days	Non-socialist majority government

to be combined with large investments in rehabilitation and were part of the government's broad focus on 'the work line' (Prop. 1990/91:59). The cuts were combined with new regulations which coordinated basic and supplementary sick pay, so that when supplementary sick pay exceeded a certain level, state sick pay would be lowered correspondingly.

For the Swedish historian Per Gunnar Edebalk (2007a) this indicates a shift in the relationship between the government and the social partners from the 1980s to the 1990s. The trade unions played a major role in gradually introducing a higher compensation levels for all groups of employees through collective agreements. When the government reintroduced a higher level of self-risk in the early 1990s, it also had to confront the institution of supplementary sick pay. The message from the government was clear: if the social partners negotiated agreements that contradicted the intention in state reforms, further legislation to counteract this would be the response. Confronted by lack of parliamentary support and mass unemployment, the unions refrained from taking the struggle and backed off.

New crisis cutbacks were made in 1993, by an alliance between the centre-right coalition government and the Social Democrats. Despite protests from trade unions, one waiting day was introduced and compensation levels lowered for long-term absence. The continued need to cut costs was a main rationale behind the reform. However, the minister also stressed the need to include a greater degree of self-risk in the sick pay system (Prop. 1992/93:31), thus implicitly suggesting the existence of overuse.

Further cutbacks were introduced in 1996 by the Social Democratic government in alliance with the centre party. The general compensation level was set to 75 per cent despite protests from opposition parties both on the right and left. Again, the tight budget situation was the main rationale (Prop. 1995/96:69). The demand for private insurance increased subsequently, and also some trade unions established new supplementary collective insurances for their members. However, LO argued forcefully against this development and considered it as a tacit acceptance of the cuts in the basic sick pay (Edebalk 2007b). Eventually, the Social Democratic government backtracked and proposed to raise the compensation level yet again to 80 per cent from 1998 (Prop. 1996/97:63). Trade unions were positive but wanted even higher compensation levels, while the employers' confederation (SAF) opposed the change, arguing that a certain degree of self-risk was required.

In addition to these fluctuations in the level of income compensation during sickness spells, there were also changes in the length of the employer period. The introduction of an employer period was prepared by a committee with members from across the party lines, but without representation from the social partners (SOU 1991: 35). A 14-day employer period (*sjuklön*) was proposed by the Social Democratic government in 1991, and introduced by a non-socialist government in 1992, in order to increase employers' incentives to improve the working environment for their employees. The government stressed the importance of reducing ill health and exclusion from the labour market (Prop. 1990/91:181), while LO and TCO feared that it would make employers more wary of hiring persons with poor health. Similar arguments to those of 1991 were used to extend the employer period to 28 days in 1997 (Prop. 1995/96:209). Following considerable resistance from the social partners, it was again reduced to 14 days in 1998.

From the late 1990s long-term sickness absence levels were rising in Sweden (Försäkringskassan 2010). Greater focus was directed at long-term absence and at workplace conditions. In this sense the discourse resembled the work environment-orientated focus in Norway. The sickness insurance commission headed by Jan Rydh (SOU 2000a: 72; 2000b: 121; 2002: 5) recommended an extension of the employer period in order to further strengthen employers' incentives to reduce the longer sickness spells. The trade unions agreed that the work environment was a crucial factor in generating sickness absence, but were critical of increased employer financing, fearing it would lead to a stricter selection where persons with poor health would be excluded from the labour market. The employers' organizations were critical of the very depiction of an incentive problem and objected to shouldering a higher share of the costs. Tripartite negotiations were instigated, but broke down following the exit of the major employers' confederation (*Svensk Näringsliv*). Despite protests from

the social partners, the employer period was extended to 21 days, while compensation levels were further reduced in 2003. Uproar ensued, and employers' organizations even started talks with a view to breaking out from the general state insurance to opt for an insurance fully based on collective agreements (Edebalk 2007b). The Social Democratic government, in collaboration with the left and the greens, devised another scheme where the 14-day employer period was reinstated, but employers instead had to partially fund longer sickness spells. The proposition was introduced from 2005, then abolished again by the new non-socialist majority government in 2007.

Recent Swedish reforms have gone further than merely adjusting compensation levels. One key point has been to strengthen the obligation of sick listed persons to return to work faster, also if this means to change work. This focus on job mobility at an early stage has been applauded as innovative by the OECD (2009: 8) and differs from the workplace orientation of Norwegian policy. Other elements of recent reforms have addressed the sickness certification process (e.g. by establishing guidelines on the length of sick spells by diagnosis) and institutional reform of the Social Insurance Agency.

A public inquiry into social insurance published in 2006 (SOU 2006: 86), promoted an understanding of Swedish sickness insurance as being too 'soft'. The claim was that factors other than work incapacity due to illness affected the granting of sick leave. Proof was found in the great variation in sickness absence levels both over time and between different geographical regions, which had little to do with variations in health (Socialdepartementet 2007: 55). Sickness insurance had become a 'parking space for problems it is not intended to solve' (Socialdepartementet 2007: 56). Political scientist Björn Johnson (2010) has documented how also the media coverage of sickness absence from about 2002 has been dominated by frames of overuse and abuse (as opposed to the previous emphasis on work conditions, stress and burnout). The SOU report sparked a number of policy changes, of which the rehabilitation chain from 2008 counts among the most radical.

The rehabilitation chain implies the assessment of the individual's ability to work – and thus his or her rights to sick pay – at set 'stop points'. The focus is on work ability rather than on diagnoses and poor health. During the first 90 days of absence the individual's work ability is assessed in relation to existing work tasks. After 90 days work ability is assessed with respect to whether the individual can do other tasks at the same workplace. After 180 days the question is whether the individual is able to do any other type of work in the regular labour market. Lastly, the sickness benefit was now restricted to 365 days. The move must be seen in context of the bourgeois coalition's general fight against 'outsiderness' (*utanförskap*): sick listed persons should not get stuck on benefits if they are capable of doing another type of work than what they did originally. The argument was that the sickness absence process was often passive, and the importance of active measures and support for the individual early on in the absence period were highlighted (Prop. 2007/08:136). Both opposition parties and trade unions opposed the reform, arguing that it would reduce employment protection for the employee, as well as moving costs from the sickness insurance to the unemployment insurance and municipal social services (Bet. 2007/08:SfU12).

Thus, Sweden has adopted a system which makes strong requirements on sick listed persons to search for another type of job if they are unable to do their original one. In Norway, by contrast, the focus, within the first year of sickness absence at least, is on adapting conditions at the current workplace to enable full or part time re-entry to the same workplace. In both countries, however, the emphasis is on driving down sickness absence levels by focusing on work ability and finding ways of reconciling ill health with work.

## **Explaining Welfare State Change and Resilience**

Above we referred to four different, but also potentially complementary, theoretical approaches to policy reform: neo-functionalism, conflict theories, institutionalism and discourse and framing theories (Starke 2006). We now discuss each of these in relation to our two cases.

### *Reform as necessary response to pressure – neo-functionalism*

In this line of thinking, welfare state reform is primarily seen in the light of socio-economic change and external and internal pressure. Such pressures can for example be constituted by exposure to globalization, low economic growth rates or demographic developments. The driving force of welfare state reform is thus located outside welfare politics itself, and political-institutional factors are at most considered as intervening variables.

The economic crisis and public budget deficits in Sweden in the early 1990s can certainly be said to have instigated massive reforms of the Swedish welfare system. Norway also experienced economic downturns in the early 1990s, but not of the same magnitude as in Sweden. Thus in both countries quite similar reform proposals have been made in the context of crisis and with the need to cut costs as the main argument, but in Sweden such efforts were more successful than in Norway. As put bluntly by the historian Francis Sejersted in his comparative work on Norway and Sweden: ‘The general sense of crisis made comprehensive political measures possible’ (Sejersted 2005: 383). However, while the severity of crisis may be one explanation of the Norwegian/Swedish difference, it does not explain *how* external pressures are transformed into political action. Recent European experiences demonstrate that the mere perception of crisis is not necessarily sufficient to instigate reform, but that also structural conditions which favour change need to be perceived by agents of change and convincingly presented for others in order to work (Overbye 2008: 77).

### *Reform as result of political struggles – conflict theories*

Conflict theories consider policy reforms (or lack of such) as results of political struggles over distributive decisions. The positive impact of left-wing parties and trade unions was pivotal in many studies of the period of welfare state expansion. Also, studies of welfare state retrenchment gave considerable explanatory power to party political constellations. This does not necessarily mean that right-wing governments will enforce welfare cuts, while left-wing

governments will be more reluctant. Green-Pedersen (2001) for example argues that in bloc systems with two major left-wing and right-wing blocs, party consensus about welfare-state retrenchment will only occur if the left-wing holds office. As the left has issue ownership on welfare issues it will be more believable in attacking a retrenchment hungry government than the right would be. A left bloc in position can thus apply an 'only Nixon goes to China' logic when pressing for cutbacks.

In our cases, both right- and left-wing governments attempted to reform the sickness insurance. In Norway, both right-wing and left-wing governments failed in doing so. In Sweden, both right-wing and left-wing governments were responsible for cutbacks, but Swedish left-wing governments also upped compensation levels. The rehabilitation chain and other reforms that have been introduced since 2006, however, are the work of a right-wing majority government. Such a right-wing majority government has not gained power in Norway in the period, and we can only speculate on its ability and willingness to put reforms into effect in this country. In sum, the relative strength of the left is not sufficient to explain the differences between the countries.

A more promising avenue is to analyze the part played by the social partners. Both trade unions and employers' associations played a more direct role in policy development in Norway than in Sweden. They were well represented in the public commissions behind both NOU 1990: 23 and NOU 2000: 27, and were by definition crucial in the three party negotiations behind the IA agreements, which effectively comprised all policy development in the 2000s. Swedish reforms, in contrast, tended to be the result of the governments' 'crisis packages' (1991, 1993) and party political negotiations. The social partners were not represented in the commission behind, for example, SOU 1991: 35 which preceded the 1992 reform, nor in the later commissions headed by Jan Rydh (SOU 2000a, 2000b) and Anna Hedborg (SOU 2006). This does not imply that Swedish organizations were passive, but that their position was that of active interest groups playing their cards through the media and public debate, not at the negotiation table.

Historically, corporatism had a stronger position in Sweden than in Norway, with the state taking a more active part in corporative negotiations in the latter. But as corporatism was put under pressure from the 1970s, the Swedish system was more radically redesigned than in Norway, the result being that the administrative-corporative system was dismantled in Sweden but maintained as a slimmed-down version in Norway (Sejersted 2005: 398). This is reflected in how the two countries coped with the 1990s crises. In Sweden, the employers' confederation withdrew from the centralized bargaining system and wage coordination was decentralized; in Norway a recentralization took place where the state and the social partners agreed on a 'solidarity alternative' aimed at wage moderation. The safeguarding of welfare rights such as the sickness insurance was part of the pact (Dølvik 2007). Thus, Swedish governments seem to have proceeded more independently and without the same level of dialogue and consensus with the social partners as in Norway. The stronger and more hands-on position of the social partners in Norway has made it harder for the governments, irrespective of political colour, to adjust compensation levels.

*Reform as outcome of institutional set-ups – institutionalism*

Institutionalism highlights the effect of political institutions on reform. ‘Institution’ in this context normally refers either to political institutions or to welfare institutions (Bonoli and Taylor-Gooby 2000: 140). As noted in the introduction, at a macro level Norway and Sweden are in most respects fairly similar – multiparty systems, mostly run by minority governments, both firmly planted within the traditions of the Nordic welfare model. A more detailed look at the sickness insurance systems reveals smaller variations with a potential to influence the future scope of reform and retrenchment.

One difference is the more significant part played by supplementary sick pay according to collective agreements in Sweden. As the Norwegian basic insurance provides 100 per cent income replacement (up to a maximum ceiling), such supplementary arrangements play less of a role in the Norwegian system – at least for employees on lower and medium incomes. Swedish authorities have in contrast been forced to tackle two issues at the same time: the level of income replacement in the basic insurance *and* the coordination of basic and supplementary insurance. This made the situation fussier, and one would expect this to make it harder for Swedish authorities to change compensation levels. Instead, as argued by Edebalk, it seems to have pushed the authorities towards actively side-lining the social partners. In this sense, the design of the insurance may have affected the ability of the social partners to influence further policy development.

Another difference is the indefinite nature of the Swedish sickness insurance until 2008. In principle it was possible to receive sick pay indefinitely. The Norwegian sick pay has a one year limit, after which other types of income support schemes at lower compensation levels apply. This may again have contributed to the recent heavy stress in Sweden at moving persons capable of doing some kind of work out of sickness insurance and into labour market programmes. In Norway this kind of concern has not been as relevant to the debate, as persons with more than one year of sickness absence are already located on other types of programmes. Also in Norway, these schemes are being reformed to promote the use of work capability assessments and other activation measures aimed at reintegrating the users back into work. In this sense, very similar trends can actually be seen in both countries, but in Norway the institutional separateness of the ‘ordinary’ sick and the very long-term sick led to some issues being tackled under different headlines and in different contexts. In other words, the design of health-related insurances can affect the agenda for policy reform, which aspects of policy that have been problematized and targeted with reform. This leads us to the issue of framing and discourse, but also suggests that the interaction between institutional, political and discursive factors need to be discussed.

*The enabling of reform through ideas, problem definitions and framing – discourse approaches*

In the discourse and framing literature, analytical interest is focused on how policy problems are formulated. The idea is that the call for reform needs to

be incorporated in narratives that are convincing and which are able to muster the necessary support (from political actors and/or the general public). Political problems are not entirely exogenous to politics, but are (at least partly) socially constructed through processes where different actors struggle over the right way of understanding – framing – a particular phenomenon. Sickness absence can, for example, be presented as a problem resulting from a brutalized working life or as a problem of individual work ethics. Each frame will have different effects in terms of the kind of support it will muster. Thus, differences in how policy problems are defined and framed can contribute to explaining why attempts at reform and cutbacks have been more successful in some countries than in others (Schmidt 2002).

In the early 1990s the authorities in both countries presented cutback proposals using quite similar arguments. The Swedish public debate was dominated by the economic situation. When arguing for the necessity of the proposed changes, policy texts mainly refer to the need to cut costs. The problem at stake was not so much sickness absence as such, but state finances (Johnson 2010: 270). In Norway also the government argued for cutbacks with reference to budgetary constraints. But this frame had less impact on policy in Norway than in Sweden. Thus other types of explanations than framing and discourse seem to be called for. The depth of the financial crisis and the position of the social partners in the policy process stand out as the most obvious differences between the countries, thus indicating the relevance of both external factors, political struggles and institutional structures in explaining the differences.

But does this mean that discourse and framing did not matter to policy change? Or that the combination of external pressure and appropriate framing did produce change in Sweden, but that the absence of similar external pressures makes discourse and framing irrelevant in the Norwegian context? In the final part of the article we discuss how the different explanatory factors emphasized here interact over time. Our argument is that the different paths taken in the 1990s would influence the evolution of the two countries' policy discourses in this field for the years to come.

### *Different explanations working together*

As we saw above, the social partners had a stronger position in Norway and more effectively fought cutback proposals. Also, the urgency of crisis was less pressing. Yet, the authorities still faced growing social security spending and both in the late 1990s and 2000s, sickness absence figures increased.

As cutbacks proved so hard to pass through Parliament, it must have appeared sensible to look for other avenues of action. The social partners' established role as dialogue and negotiation partners may have led to a more intense focus on collaborative measures in the workplace as alternatives to changes in the sickness insurance itself. The Sandmann commission presented workplace measures and reformed economic incentive structures as one package (NOU 2000), but as resistance hardened it was possible to choose only one part of the package. Note that in Sweden also policy-making

included measures in the workplace. But the question here is why Norway, in contrast to Sweden, did not alter the economic incentives of sick pay.

As sickness insurance became embedded in corporative agreements (the IA agreements), an institutional and discursive bulwark was effectively erected against simple cutbacks in the shape of reduced compensation levels. In the 2000s, the IA agreements firmly framed the phenomenon of sickness absence as a problem to be fixed in the workplace (through improving work environment, adapting work tasks, etc.) thus making collaboration between the relevant labour market actors fundamentally important. The use of negative economic incentives appears both irrelevant and inappropriate in this context. This was succinctly demonstrated when the centre-left government tried to impose a longer employer period on the parties in 2006. By thus directly attacking an established discourse coalition (Hajer 2005: 304) rather than seeking to *reframe* the issue by invoking an accepted idea of legitimacy (Cox 2001), it was set up for failure.

In Sweden a different type of discourse appeared, partly related to but also predating the bourgeois government alliance's programme on eradicating 'outsiderness'. An important element in this type of discourse is the idea that social security programmes are being used to solve the wrong type of problems, and instead may be creating new problems by excluding claimants from participation in work and society. Johnson identifies an 'overuse-discourse' on sickness insurance in Sweden and claims that this type of framing has paved the way for the latest reforms. Our review of Norwegian media reveals that similar arguments have also been made frequently in Norway, especially in the lead-up to the latest round of IA negotiations. But this has not led to reforms that have significantly changed or restricted employees' access to sick pay.

The different paths taken in the 1990s may have laid the ground for the differences we see in the 2000s. In Norway the emphasis is on policy measures that regulate processes of dialogue and adaptation in the workplaces. In Sweden more emphasis is directed at the insurance system itself, aiming at a speedier transfer of sick listed persons through the sickness insurance system and back into the labour market (or unemployment schemes).

## Conclusion

The need for policy reform must always be communicated in a way that can be understood and approved in order to materialize as actual policy change. But discursive change and apparently seductive frames will not always be enough. The comparison of Norwegian and Swedish sickness insurance reforms illustrates that the chance of success for new frames or discourses depends on the institutional, political and functional context into which they are inserted. The Swedish context was more receptive to certain types of reform than the Norwegian one: the magnitude of the fiscal crisis made the budgetary-constraint-framing of reform more efficient than in Norway. In the 2000s Swedish policy-makers were not up against existing institutionalized alliances between the social partners and the government. They have thus been freer to go up against the social partners, and they have not encountered



extant counter frames with the same kind of institutionalization as the Norwegian collaboration-in-the-workplace-discourse. In other words, similar attempts at framing the need for reform and cutbacks may have different effects depending on the character of the counterforces and extant frames reformers are up against. On the other hand, while a particular discourse may have its origins in less ideational structures, its feedback effects on such structures should not be underestimated. The corporative approach to sickness absence policy taken in Norway seems to be a rather robust bulwark against cutbacks. Or phrased alternatively, because it is built on a broad consensus it has allowed stability as opposed to the many, partly contrary, reforms in Swedish sickness insurance. In the absence of destabilizing events, successful reformers will need to find ways of framing change which play along with the principles of legitimacy that politicians themselves have produced through the IA agreements.

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### Note

1. The figures also followed comparable trend lines. Sickness absence levels fell from a relatively high level during the crisis in the early 1990s, this turned in the mid-1990s with levels again reaching their highest just after the turn of the century. Then the two lines diverge, with Sweden entering a period of decreasing absence levels while Norway's absence levels fluctuated around a fairly high level. However, one needs to be cautious when comparing sickness absence figures. Levels are fluctuating, figures vary between different sources of statistical data and the historical data available has limitations. Different definitions of sickness absence also complicate cross-country comparisons.

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