# A Swedish Patchwork. 50 Years of Parental Insurance

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# Summary

The Swedish parental leave policy has been in place for 50 years. When introduced, it was unique in the world in granting both mothers and fathers the right to take temporary leave from work with income-based compensation to care for their newborns. The policy aimed to enable both women and men to balance paid work with childcare responsibilities. Furthermore, it sought to protect families from income loss and thereby reduce economic disparities between households with and without children. From the outset, gender and economic equality – both within the household and across society – were goals of the policy. Funded by social insurance, Swedish parents have thus had the legal entitlement to protected time from work and associated payment to care for their infants without leaving employment.

The original political objectives of the parental leave remain intact, but much has changed over the past half-century. Numerous reforms and adjustments have been implemented, and their consequences affect parents in various ways. This report analyses these developments. The purpose is to explore the motivations and arguments behind the many reforms and the outcomes they have produced. Special focus is given to how the goals of gender and economic equality have been defined in the parental leave policy over time, whether they have been achieved, and if so, by what means. The key questions concern whether the reforms have reduced economic burdens associated with parenthood and which demographic groups have been prioritized and benefitted from the insurance, and which have not.

By analysing the evolution of the parental insurance over time, we also identify shortcomings in current policies and explore potential future directions for paid parental leave.

## Perspectives: Who Benefits from the Insurance and What Risks Exist?

The analysis is guided by the concepts of "deservingness" and "risk". The concept of deservingness originates from a longstanding tradition in sociological research that explores which groups or individuals' welfare states have considered to be deserving recipients of various social and labour market policy measures. While the concept has not previously been applied to studies of parental insurance, we argue that it is useful in this context, particularly when linked to different forms of risk. We adopt a sociological perspective on risk, inspired by analyses that include both individual experiences of risk, such as career interruptions resulting from becoming a parent, and institutional factors that simultaneously enable and constrain various risks, including the design of the parental leave.

We focus particularly on the economic risks parents face when starting a family. Additionally, we examine how the structure of the parental leave policy affects the risk of limiting parents' ability to fully engage in their parenting roles. Key considerations include the duration of parental leave and the allocation of reserved time for both mothers and fathers.

We are also considering how different principles and political goals have dominated during various time periods. When the policy was introduced in the 1970s, Sweden was characterized by strong reformist momentum, with economic, social and gender equality serving as guiding principles for societal development. During the economic crisis of the 1990s, the welfare state was restructured, and various policies affecting families became less generous. In the early 2000s, several "new social risks" were identified, prompting varied political responses. Several improvements were made within the family policy field, including adjustments to compensation levels, although these never returned to pre-crisis levels. Over the past 20 years, various reforms in the parental insurance have been introduced that have both increased and restricted its flexibility. The changes over time have affected different groups of parents in various ways, with each reform raising critical questions about which risks can be mitigated and who will benefit from the parental leave policy.

## A Historical Perspective

Since the early 1970s, regardless of the government in power, parental leave policy has aimed to enable both women and men to share responsibility for their children while encouraging workforce participation. This political ambition, however, has a longer history than the parental leave itself. As early as the 1930s, family and population policy reforms were introduced, mainly to address widespread poverty among families with children. During the post-war period of the 1940s and 1950s, population concerns diminished, paving the way for social and justice-based arguments for an expanded family policy. Examples of such reforms include the introduction of a universal child allowance and general maternity leave.

In the 1960s and 1970s, the need for women's participation in the workforce grew, accompanied by increasing criticism of traditional gender roles from both social science research and the women's movement. These shifts led to a political pivot, and to the emergence of the ideas of gender equality, relevant not least to families. When parental leave was introduced in 1974, Sweden was still characterized by strong reform momentum, with social, economic and gender equality ranking high on the political agenda. Parental leave targeted both genders, granting women and men equal rights to parental leave and financial compensation following a child's birth. The aim was to encourage shared parenting responsibilities without compromising either parent's position in the labour market. By providing income-based compensation, it sought to reduce the economic risks associated with parenthood and mitigate income loss when parents stayed home to care for their children.

## Expansion, Flexibility, and (In)Equality, 1975–1991

The period following the introduction of the paid parental leave was characterised by family policy reforms aimed at creating opportunities to combine work and family, aligning closely with the goal of gender equality. Childcare services expanded, and the parental leave was gradually extended from six months to 15 months by the end of the period. A new type of parental leave, "special parental leave", was introduced to enable flexibility in use. The parental leave policy was also further

individualized, and the so-called "speed premium" was introduced. Fathers' use of parental leave increased during this period, though progress was slow and started from modest levels. Gender equality was a prominent issue during this time, while economic equality received less emphasis, partly due to increased labour force participation among mothers.

The beneficiaries of the parental leave included all new fathers, who gained the opportunity to stay home with their children—a global rarity in the 1970s. Working mothers also benefitted, as they were given the opportunity to take temporary leave of absence while maintaining job security. However, the speed premium favoured parents who could afford to have children in quick succession and women who could afford and preferred to reduce their working hours after their first child. This primarily benefitted cohabiting parents who could support themselves through a combination of one full-time and one part-time income. On the other hand, women who reduced their working hours when becoming parents and later became sole providers, separated, or widowed, faced increased economic vulnerability. Part-time work also contributed to lower pensions for these women.

## Parental Insurance during the Crises of the 1990s

During the economic crisis of the 1990s, the entire welfare system was restructured. Family policy was also affected, with the expansion of parental leave slowing and becoming more restrictive. Compensation levels were reduced in several steps. Despite these changes, gender equality remained a focus, and fathers' low usage of parental leave sparked intense debate, particularly in politically appointed groups and commissions. As a result, the first reserved month, commonly known as the "daddy month", was introduced in 1995. The argument that both parents should be involved in the child's care from the beginning was also supported by a child-rights perspective, which gained prominence during this period.

Following the introduction of the reserved month, there was a shift in the use of the parental leave. Most fathers began to use leave, although initially only one month. Those who benefitted from reforms during this period were, therefore, fathers, especially those who were employed and could receive income-based compensation for their now

protected right to parental leave. Parents who shared responsibility for childcare were therefore advantaged, while those who did not share parental leave were disadvantaged. During this period, men and women without income prior to becoming parents were also disadvantaged. Since this group was already economically vulnerable, it is noteworthy that they faced both increased economic risk and caregiving risk during this period.

Families with children were largely affected by the economic crisis of the 1990s, particularly since compensation rates were not adjusted. The guarantee level of parental insurance, remained at 60 SEK per day throughout this period. Notably, lone parents, mainly mothers, who also received one month less of parental leave, were among the most disadvantaged groups.

## Expansion and Risk Management, 2000–2010

In the early 2000s, the development of parental leave policy focused on parents with limited economic resources. Compensation for those without prior income increased. An additional reserved month was introduced, and parental leave was extended by one month. It also became possible for individuals other than the child's father to use temporary parental leave, previously referred to as "paternity days", that is two weeks leave just after the birth of the child. At the same time, higher-income parents benefitted from a raised benefit ceiling and the expansion of collective agreements, especially in the private sector, which provided additional compensation during parental leave.

The period also saw an increased emphasis on choice, exemplified by the introduction of a gender equality bonus and "double days", allowing families to tailor the leave use to their needs. Parents embraced this flexibility, as shown by greater variation in the length and compensation of parental leave. This was enabled by the ability to use paid and unpaid days relatively freely.

During this time, the division of parental leave became more gender equal, especially among parents with higher education and income levels. However, disparities between different parental groups widened as not all families could fully utilize the generous and flexible insurance. Non-cohabiting parents without stable incomes were a particularly disadvantaged group. These parents faced restrictions both in terms

of time and flexibility when using the leave. Additionally, the increased compensation for the basic level likely did not fully benefit the most vulnerable groups, as parental leave benefit are often deducted from social assistance

## Limitations for Some and Flexibility for Others, 2010–2024

From 2010 onward, the principle of individual income-based parental leave has been partially maintained, but certain deviations have occurred. The most notable example is the right for a parent to transfer leave days to a person other than the other parent. In 2019, it became possible to transfer leave days to a cohabiting partner, and starting in 2024, parents are able to transfer up to 45 days to any person of their own choosing. This reform benefits parents in diverse family constellations, such as rainbow families and single parents who can choose someone to share caregiving responsibilities with. However, it has also faced criticism for undermining gender equality efforts, as men may transfer the days to women. Critics also argue that it becomes more challenging to monitor misuse and that the reform represents a departure from the principle of an individual, income-based social insurance system.

In terms of flexibility, reforms during this period have taken different directions. Double days were introduced and expanded, allowing parents to be on leave together for a limited time. But age restrictions on when parental leave can be used were implemented, and parental leave for parents with children born abroad was restricted. Another reserved month was introduced in 2016, leading to a slight increase in fathers' usage, although it had less impact than the previously introduced months.

Thus, this period is marked by somewhat contradictory developments. The flexibility provided by double days and the possibility for non-parents to use the parental leave, was positive for those who could use the flexibility, particularly parents in rainbow families or those with difficulty taking extended leave from work, such as self-employed parents. At the same time, restrictions on when parental leave can be used disadvantage parents who wish to take leave later in their children's preschool years. Employers benefit from these limitations due

to a more predictable workforce. Whether age restrictions for children born abroad are advantageous for newly arrived parents depends on the availability of integration measures, such as access to work and preschool as alternatives to parental leave.

## Consequences and Future Challenges

Our analysis reveals that gender equality has consistently been a priority throughout the history of the parental leave policy. At the same time, the idea of choice has become increasingly prominent in family policy debates. This has led to a somewhat paradoxical development: while choice is emphasized as a principle allowing families to decide who cares for their children, the reserved months demonstrate a limit to that choice. Economic equality, however, has not been a driving force in comparison to gender equality. Differences between parental groups have become more pronounced, particularly since the 1990s economic crisis, as the ability to utilize parental leave—both in terms of duration and compensation—varies significantly across groups.

The main objectives of the parental leave policy—to promote gender-equal parenting and equal conditions for families with and without children—remain in part unmet. Our conclusion is that these two goals should be considered together, for instance by greater attention directed to groups outside the labour market and those with insecure employments. Parents in these groups receive low parental leave benefit and often do not receive the supplemental pay according to the collective agreements. Additionally, non-cohabiting parents face significant challenges in sharing the leave equally, and when leave is not shared, single mothers often bear the lion's share of care and economic responsibility. Broadly speaking, the gains in gender equality have come at the expense of parents who do not follow the employment norm or the model of two cohabiting parents fully engaged in the labour market. Therefore, today's parental leave face several key challenges:

- *How can paid parental leave policy achieve both gender equality and economic equality?* Reforms have primarily focused on gender equality. How can future parental leave policy integrate both goals to ensure all parents can make full use of the policy?

- *How can parental leave better support diverse families?* The policy has largely benefitted families with two cohabiting parents, making gender equality contingent on a specific family type.
- *Can the parental insurance be income-based and cover temporary income loss, and at the same time provide basic economic security for all new parents?* It is evident that different parental groups face varying economic circumstances, and many risk financial hardship during parental leave. Is it possible to combine income-related compensation, which incentivises gender and economic equality, with a basic level that ensures economic security for all families?
- *How can the complexity of the parental leave policy be reduced?* The intricate set of rules on how, when, and under what compensation (from multiple sources) leave can be used makes the policy non-transparent. How can the policy be simplified to achieve legitimacy while maintaining adaptability to diverse family situations?
- *What aspects of parental leave should be based on choice?* Today, most of the policy is individualized, with three months reserved for each parent. But 45 days are transferable to someone who is not the parent. This creates a family policy paradox: the reserved months regulate gender equality, while recent reforms reopen options for parents to choose care alternatives.
- *Can parental leave address Sweden's declining birth rates?* Birth rates in Sweden are declining, for reasons that are unclear. Swedish parental leave has been strongly associated with earlier relatively high birth rates, but despite continued generosity, fewer children are now being born. It is essential to thoroughly analyse the reasons behind this development to be able to design a relevant future parental leave policy.

The overarching conclusion to this report is that gender, social and economic equality as goals of the parental leave policy are best addressed together. When these aspects are not seen as closely connected with each other the policy faces challenges in reaching any of the goals. Parents who do not conform to the policy's underlying premises have not benefitted to the same extent over time, and their situations warrant greater attention. The aim of the parental leave policy is to enable women and men to combine work and family. While this is possible for

the major group of parents today, it is crucial to examine whether the policy can be better adapted to the realities faced by different groups of young individuals today.

When addressing the decline in birth rates, future policies should be concerned with the interplay between family practices and the labour market situations of various groups. However, a broader perspective is likely needed, especially considering young individuals' views on the future. Emerging social policy research suggests looking beyond economic incentives and financial security to explore how the welfare system should be designed in the years to come. The role that parental leave policy should play in this discussion is an exceptionally important question – for all of us.

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