

Sweden's national reform programme **2012**

Europe 2020 – EU's strategy for smart, sustainable and inclusive growth



REGERINGSKANSLIET

Government Offices
of Sweden

Sweden's national reform programme 2012

**Europe 2020 - the EU's strategy for smart,
sustainable and inclusive growth**

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1. Introduction

The Europe 2020 Strategy is since June 2010 the EU's joint growth and employment strategy. The aim of the strategy is to improve conditions for full employment and inclusive, sustainable growth by 2020. The strategy is based on three mutually reinforcing priorities:

- smart growth: develop an economy based on knowledge and innovation,
- sustainable growth: promote a more resource-efficient, greener and more competitive economy, and
- inclusive growth: foster a high-employment economy with social and territorial cohesion.

In April each year member states submit a national reform programme to the Commission, which reports on implementation of the Europe 2020 Strategy in national policies. Reporting is based on the strategy's ten integrated guidelines¹ and five headline targets for employment, social inclusion, education, research & development and climate and energy. The reporting shall also reflect the overarching priorities for the so-called European semester for stronger economic coordination within the EU. These are established at the annual spring summit for heads of state and government.

Sweden's national reform programme for 2012 is an update of the 2011 national reform programme. It is based on the government's proposed initiatives and reform ambitions in the 2012 Budget Bill and 2012 Spring Fiscal Policy Bill. It also reflects five overall priorities for the European semester that were established at the meeting of the European Council on March 1–2 2012:

- pursue differentiated, growth-friendly fiscal consolidation
- restore normal lending to the economy
- promote growth and competitiveness
- tackle unemployment and the social consequences of the crisis
- modernise public administration

¹The Europe 2020 Strategy's 10 integrated guidelines: 1: Ensuring the quality and sustainability of public finances, 2: Addressing macroeconomic imbalances, 3: Reducing imbalances in the euro area, 4: Optimising support for R&D and innovation, strengthening the knowledge triangle and unleashing the full potential of the digital economy 5: Improving resource efficiency and reducing greenhouse gases, 6: Improving the business and consumer environment, and modernising and developing the industrial base in order to ensure the full functioning of the internal market, 7: Increase labour market participation of women and men, reducing structural unemployment and promoting job quality, 8: Developing a skilled workforce responding to labour market needs and promoting lifelong learning, 9: Improving the quality and performance of education and training systems at all levels and increasing participation in tertiary or equivalent training, 10: Promoting social and fight poverty.

This year's programme also includes examples of work conducted by the social partners, regional and local actors, and organisations in civil society, in accordance with the strategy's guidelines and goals.²

Reform policy

The Government's reforms are established within the framework of a responsible fiscal policy. Stable public finances with good safety margins shall continue to provide a secure foundation, so that Sweden can meet the challenges the country faces. The limited scope for reforms should be used, both for measures to prevent unemployment from becoming persistent and for measures that strengthen the functioning of the economy, improve the financial position of vulnerable groups and strengthen welfare. The policy direction in the short run is to manage the effects of the debt crisis. In particular, the focus will be on strengthening the conditions for groups with a weak foothold in the labour market, such as young people, people with foreign background and other groups with high long-term unemployment, to get work.

In the longer term there are several challenges for the Swedish economy. Developments in the world around us affect Sweden's economy and continue to challenge the Swedish economy's ability to adapt and be flexible. Demand for welfare services go up when people's earnings increase and as the population ages. It is important that the publicly financed welfare system is designed to ensure long-term stability and so that its legitimacy and confidence in the system are maintained. Environmental challenges, not least the climate changes, are global and affect living conditions in the entire world. There are also challenges with regards to promoting cohesion, justice and common values in a changing society with increased competitiveness.

As a component of the long-term work, the Government has appointed a Commission on the Future of Sweden. The purpose of the commission's work is to identify important social challenges that Sweden faces in the longer term, towards 2020 and 2050. The commission's conclusions will serve as the basis for the Government's continuous work.

A policy directed at promoting long-term growth and employment increases the possibilities to meet future challenges. High labour and high employment among women and men is also a basic component of the long-term management of public financing of welfare services. To achieve a robust long-term growth it is also important to promote stronger productivity. This includes measures to promote business and competitiveness, measures to strengthen competence, research and innovation, and measures to create a well-functioning infrastructure.

²See the collected contributions from the social partners in Annex 1, from the Swedish Association of Local Authorities and Regions and representatives for the regional and local actors in Annex 2, and a contribution from the Swedish National Council of Adult Education and Learning for Active Citizenship in Annex 3.

2. The economic situation

The difficult situation with public finance problems in several euro countries prompted significant financial unease during the autumn of 2011. The debt crisis spread to other countries. The intensity of the financial crisis, however, dissipated somewhat at the beginning of 2012, not least as a result of the measures implemented by the European Central Bank, the EU and countries experiencing acute problems with their public finances. Even though worry in financial markets has subsided and measures have been implemented to combat the crisis, the global economic development continues to be very insecure. The euro area is deemed to be in a mild recession in 2012, due to the austerity measures in fiscal policy and weak domestic demand. Recovery in the euro area is expected to be protracted and not improve until 2014. The US economy in 2012 has shown clear signs of an economic upturn, but the recovery is expected to be drawn out even there.

2.1 The Swedish economy

In the wake of the problems with public finances in several countries, the Swedish economy slowed significantly at the end of 2011. The slow-down means that growth for 2012 will be weak. Insecurity associated with the European debt crisis has diminished and financial markets have begun to stabilise. During the first half of 2012, confidence began to return among households and businesses. Increased demand in Sweden is therefore expected to occur gradually in the second half of 2012 and beyond. Employment is expected to rise in 2013, and during the period 2014–2016 the labour market is expected to improve significantly. Unemployment is forecast to go down to about 5 per cent by 2016, and the use of resources in the economy as a whole is expected to normalise. There is great uncertainty about the future economic development. The general belief is that the risks are on the down side.

Decreased unease in financial markets

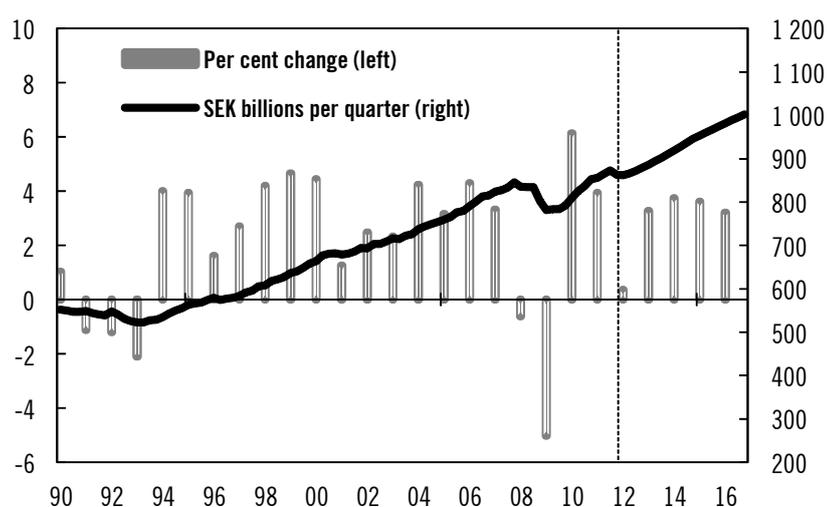
Unease in the financial market was palpable in the autumn of 2011, but has diminished, as a result, among other things, of the measures implemented by the European Central Bank (ECB), the EU and countries experiencing acute problems with their public finances. Supportive measures from the ECB to alleviate the banks' financing have reduced financial stress in the bank sector. As a result, the risk of a serious credit crunch has gone down significantly. Increased fiscal policy cooperation in the EU and the comprehensive austerity and reform programmes in several euro countries have helped stabilise financial markets. In pace with a stabilisation of the financial markets and implementation of stabilisation measures in many European states concern among Swedish households and businesses is believed to be gradually diminishing.

Economic slowdown at the end of 2011

The Swedish economy expanded rapidly in 2010 and during a large part of 2011 (see Figure 1). Both domestic demand and exports have been key driving forces in the recovery after the financial crisis. At the end of 2011, however, the growth in the Swedish economy slowed down significantly, and there will be a clear economic slowdown in 2012, with lower resource utilisation as a result.

The slowdown was prompted by several mutually reinforcing factors. Problems with public finances in the euro area primarily diminished the demand for Swedish exports significantly. Exports went down at the end of 2011, and indicators show a weak export development at the beginning of 2012. Household consumption dampened already in the last six months of 2011, as a result of increased uncertainty regarding the economic development and weak development of capital gains, among other things. The uncertain economic situation, weak export demand and weak domestic demand have prompted businesses to hold off on new investments.

Figure 1 Swedish GDP



Note: GDP in fixed prices, reference year 2010. Quarterly values are calendar-adjusted)

Source: Statistics Sweden and own calculations.

Weak growth in the Swedish economy will lead to lower resource utilisation in 2012. Measured with the so-called GDP gap, resource utilisation is going down from -1,0 per cent in 2011, to -2.7 per cent in 2012.

Strong growth in 2013–2016

In the next few years production and employment could rise rapidly, without risk of overheating. This is due to a combination of low resource utilisation in the economy in 2012, and strong potential growth due to the government's structural reforms, among other things. The increase in potential GDP is deemed to reach an average of 2.6 per cent a year during 2012–2016. This

development is driven primarily by rising productivity in the business sector, and in part by the increase in lasting employment, as a result of the structural reforms and the demographic development.

Table 1 Key indicators

Outcome for 2011, prognosis for 2012-2016. Percentage change unless otherwise stated.

	2011	2012	2013	2014	2015	2016
GDP	3.9	0.4	3.3	3.7	3.6	3.2
GDP gap ¹	-1.0	-2.7	-2.1	-0.9	-0.4	0.0
Employed ²	2.1	-0.1	0.3	1.4	1.7	0.8
Employment rate ³	80.0	79.7	79.6	80.5	81.6	82.4
Hours worked ⁴	2.3	-0.3	0.5	1.6	1.5	0.9
Productivity ^{4,5}	2.4	1.3	3.2	2.3	1.9	2.0
Unemployment ⁶	7.5	7.8	7.7	6.9	5.7	5.2
Wages ⁷	2.4	3.2	3.1	3.3	3.7	3.7
KPI ⁸	3.0	1.2	1.3	1.6	2.5	2.8

¹ The difference between the actual and potential GDP as a percentage of potential GDP.

² Ages 15-74.

³ According to the EU 2020 goal—that is, employed, as a percentage of the population in the age group 20-64 years.

⁴ Calendar-adjusted.

⁵ Productivity in business and finance.

⁶ As a percentage of the workforce, age group 15-74 years.

⁷ Measured according to short-term wage statistics.

⁸ Yearly average.

Sources: Statistics Sweden, National Mediation Office and own calculations.

As the financial markets continue to stabilise household consumption will increase at a faster pace towards the last six months of 2012, and beyond. An expansive monetary policy and gradually brighter prospects in the labour market will contribute to household consumption rising at a good pace in 2013–2016. As demand and production increase at a faster rate, the need for investments will be large, relatively speaking. This will lead to a robust increase in investments. Even the recovery in countries around us will contribute to increased exports. Recovery in other countries will be somewhat dampened, however, by a tightening of fiscal policy, which means that demand for Swedish exports could be lower than has normally been the case in earlier recoveries. GDP is forecasted to increase on average about 3.5 per cent a year during the period 2013–2016, and this positive growth will also bring a gradual increase in resource utilisation. The recession will, however, be protracted, and it won't be until the end of the forecasted period that resource utilisation is expected to be normal in the overall economy.

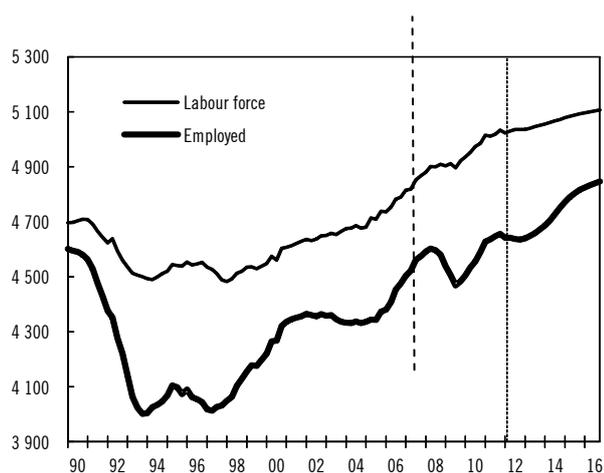
Developments in the labour market

The recovery in the labour market has gone quite quickly in the past two years. The number of employed people has increased significantly (see Figure 2). The robust recovery in employment has also meant a decrease in unemployment, even though labour force participation has increased significantly (see Figure 3). The positive development seen in the labour market over the past two years can be attributed to both the recovery and government reforms. Signs that the

Government's reforms have improved the labour market's functioning include labour force participation and employment level, which have increased among young, middle-aged and older people. But despite this positive development, resource utilisation in the labour market is low and traces of the financial crisis are still evident. The clearest sign of this is high unemployment. In the fourth quarter 2011 the seasonally adjusted unemployment was 7.5 per cent.

Figure 2 Number in the labour force and number of employed

Thousands

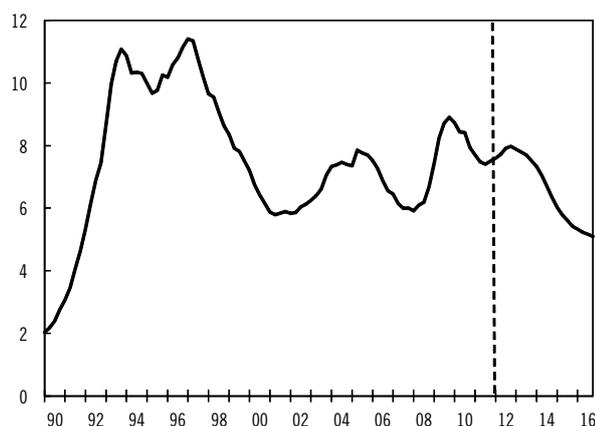


Note: Calendar-adjusted values.

Source: Statistics Sweden and own calculations

Figure 3 Unemployment 15–74 years

Per cent



Note: Calendar-adjusted data.

Source: Statistics Sweden and own calculations.

The rise in employment dampened towards the end of 2011, and employment is forecast to remain unchanged in 2012. This break can be attributed primarily to the fact that businesses are not renewing contracts with temporary workers or replacing employees lost through natural attrition to the same extent as they have done in the past few years. But a wave of layoffs in line with those that occurred in 2008 and 2009 is not expected.

The labour force supply is expected to continue growing, as the population of working age increases. Therefore, unemployment is forecast to rise to an annual average of 7.8 per cent in 2012, and then gradually go down again.

Robust recovery in the labour market 2014–2016

Keeping pace with the increased demand in the economy, the situation in the labour market is expected to improve and employment expected to rise rapidly, especially in 2014 and 2015. Unemployment is forecast to go down to 5.2 per cent in 2016, which is in line with the expected rate of equilibrium unemployment.

A weak development in 2012 means that the problems in the labour market will be exacerbated during a transitional period. Long-term unemployment is still high and expected to increase in the coming year. Long-term unemployment varies dramatically among different groups. For example, people born outside Europe, older people and people with no more than compulsory education are more highly represented in long-term unemployment figures compared to other groups. For these groups it will be even more difficult to get jobs when the economy weakens again, in part because their competencies tend to diminish due to the length of the unemployment period, and also because of the stigma that can be associated with long-term unemployment. The weak economic development is expected to enable unemployment to take hold at a somewhat higher level, but it is also believed that these effects will wane in the longer term.

Low resource utilisation in the labour market and the weak economic development in 2012 will likely lead to moderate wage increases in the current wage negotiations, even if the increase is expected to be higher as a result of these pay talks than in the round of wage negotiations in 2010. Keeping in pace with the labour market improvements, wages are forecast to increase somewhat faster during the period 2014–2016.

Low resource utilisation, combined with the relatively low unit labour costs, will lead to an underlying inflation rate lower than 2 per cent during most of the forecast period. The Swedish Central Bank, Riksbanken, is expected to lower the repo rate to 1 per cent during the first half of 2012, and leave it at that level for about a year. After that, the repo rate is expected to rise in the second half of 2013, in pace with an increase in resource utilisation and inflationary pressure.

3. Macroeconomic development and the policy direction

The goal for the Government's policy is full employment. Since 2006, policy has been based on getting more people working and fewer who are outside of the labour market. Full employment is necessary for Sweden to remain a competitive country with long-term sustainable growth. Job creation is a first and central priority for the Government. Reform initiatives to create more jobs have had significant, positive effects. Sweden has the highest employment level in the EU. Employment has gone up by 96,000 people in 2011, and with 213,000 since 2006. At the same time, exclusion has gone down, with a corresponding figure of about 225,000 since 2006.

*Stable public
finances*
Guideline 1

Stable public finances are the foundation of the Government's fiscal policy. Sweden should be stable, even when things are turbulent in the world around us. Through responsible policies, in which the fiscal policy framework includes surplus targets and an expenditure ceiling, will help maintain and ensure a stable economy. Keeping pace with the economic development, public finances have been bolstered in recent years. The public sector's fiscal savings have grown from a deficit of 1 per cent of GDP in 2009, to a surplus of 0.1 per cent of GDP in 2011. Weak economic development has caused fiscal savings to show a slight deficit of 0.3 per cent of GDP in 2012, but this will shrink already in 2013. After this, savings will improve gradually to 3.7 per cent of GDP in 2016 (see Table 2).

Table 2 Consolidated public sector finances

SEK billions Outcome 2011, forecast 2012–2016							
	2011	2012	2013	2014	2015	2016	
Income	1 735	1 773	1 837	1 922	2 024	2 116	
Per cent of GDP	49.6	50.1	49.7	49.4	49.5	49.3	
Taxes and fees	1 546	1 583	1 645	1 727	1 817	1 900	
Per cent of GDP	44.2	44.7	44.5	44.4	44.4	44.3	
Other income	190	190	192	194	206	216	
Expenditure	1 731	1 783	1 824	1 861	1 902	1 959	
Per cent of GDP	49.5	50.4	49.3	47.8	46.5	45.7	
Financial saving	4	-10	13	60	122	157	
Per cent of GDP	0.1	-0.3	0.3	1.6	3.0	3.7	
Consolidated gross debt	1341	1335	1309	1236	1126	964	
Per cent of GDP	38.4	37.7	35.4	31.8	27.5	22.5	

Sources: Statistics Sweden and own calculations.

Since 2006, Swedish public debt, as a per cent of GDP, went down by 7 percentage points, which can be compared with the average increase of about 20 percentage points in the other EU countries. The Government will continue

to prioritise returning to a surplus in public finances. Established expenditure ceilings shall be met and the surplus target maintained. This will secure a sturdy foundation that will help Sweden meet future challenges.

*Increased
growth*
Guideline 2

In addition to managing the direct effects of the debt crisis, Sweden needs to take on important challenges for higher lasting employment, a lower equilibrium rate of unemployment, stronger welfare, improved conditions for businesses and a more sustainable climate. The driving forces for work must be strengthened further. The functioning of the labour market should continue to be improved in the future. We need more avenues that lead to jobs, especially for those who are furthest away from the labour market. Education is important for strengthening the individual's competencies and improving opportunities to get work. The high unemployment rate among young people, foreign-born people, people with relatively short educations and people with disabilities that impair their capacity to work, require additional measures. The Swedish model shall be protected. The Government will actively support initiatives from the social partners that lead to better long-term employment and a lower equilibrium rate of unemployment. The Government has initiated discussions with the social partners about how to facilitate entry into the labour force for young people, among other things. The Government has also together with the social partners taken steps to create a system for short time working arrangements that can be activated in the event of a new significant recession in the future.

A policy for full employment and a society that holds together depends on a functioning housing market. People should have the possibility of moving to places where the demand for labour is high, where opportunities to be self-supporting are good and where the risk of exclusion and unemployment is low. There should also be good opportunities to choose the form of housing. Therefore, the Government has made proposals in the April 2012 Spring Fiscal Policy Bill to facilitate the rental of privately-owned homes and stimulate driving forces to build new homes.

According to the Government, the available resources for meeting future challenges are to a large degree limited, given the need to maintain healthy safety margins in the public finances. The limited manoeuvring room for reform should first and foremost be used to prevent unemployment from taking hold, and also for other important measures to strengthen conditions that will enable long-term sustainable growth. Therefore, in the budget for 2013 the Government intends to focus on measures that will increase jobs in an inclusive labour market, ensure that jointly financed welfare services maintain the highest possible quality and are available to all, and bolster Sweden's competitiveness.

The Government's reform ambitions for the term of office leading up to 2014 were presented in Sweden's National Reform Programme 2011, and will be

executed when a lasting opportunity for reform opens up, the economic situation allows it and on the condition that important reforms in priority welfare service areas can be ensured. To reduce exclusion, increase lasting employment and make it more attractive to pursue education, as well as start and run businesses, the Government wants to increase the in-work tax credit and raise the lower income tax bracket for the state income tax. During this term of office the Government also intends to reintroduce proposals to reduce taxes for pensioners, on the condition that the public finances are balanced.

For the Budget Bill 2013 the Government also plans to prepare the tax proposals in a similar fashion to last year's. The purpose is to make it possible to address the tax proposals collectively, with associated budget effects in the Budget Bill for 2013. A special memo with different tax proposals will be referred for consideration in spring 2012. The memo proposes the following:

- lowered corporate and expansion fund taxes,
- simplified individual contributions,
- taxation of ethanol fuel,
- lower carbon dioxide tax for producing heat,
- higher vehicle tax for vehicles in the carbon dioxide-based system,
- higher vehicle tax for vehicles in the weight-based system
- modified definition of green cars

Whether the abovementioned proposal is presented in the Budget Bill proposal for 2013 will depend on forecasts of the economic situation, available room for reform and financing needs, and on the priorities the Government will make in the final work with the Budget Bill after summer 2012.

In addition, the Government plans to propose in the Budget Bill for 2013 measures to increase the availability of housing and the utilisation of existing homes;

- lower property fee for rental units
- an additional reduction of the property fee for construction of new housing
- a higher standard tax deduction for revenue of home rentals

In addition to the proposals in the special memo, the Government will continue to work with a number of additional tax proposals. These include, among other things, interest deduction limits and risk capital deductions.

*A stable
financial
system and
household debt
load*

A well-functioning financial system is of central importance to the economy. When serious problems arise in the financial system, especially in the bank system, opportunities for growth, jobs and welfare diminish dramatically. Problems in the bank sector affect citizens tangibly.

Guideline 2

From an international perspective Sweden has a large banking sector relative to

the size of the economy. This means that a default/failure in the bank sector can be very costly for the state and taxpayers to manage. The assets of the four Swedish bank groups added together in Sweden and abroad are close to four times the size of Sweden's GDP.

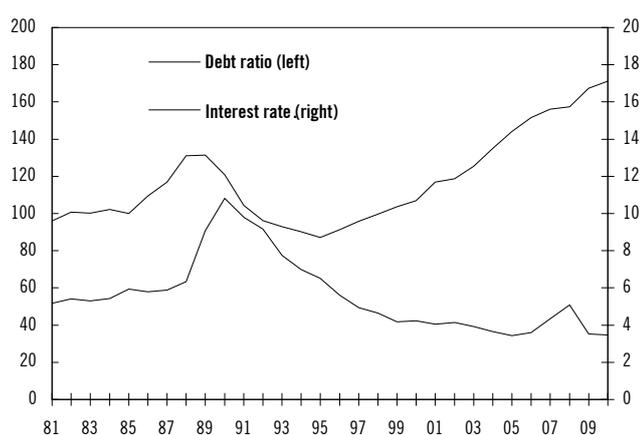
In addition to the size of the Swedish banking sector, the increase in the banks' international activities is a risk factor. Potential problems with the banks' foreign activities could be a burden for Swedish tax payers. The Swedish banks are financed to an increasing degree by foreign currency. In the fourth quarter of 2011, 56 per cent of the banks' total market lending debt was in foreign currency. If financial markets around us cease to function it will be difficult for the banks to maintain financing. The big banks are also to a higher degree interdependent, as a result of comprehensive inter-bank transactions. This means that a problem in one bank can easily spread to another.

In addition to the above mentioned risks in the bank system, the relatively high level of household debt also presents a risk. The average Swedish household debt was a little more than 160 per cent of disposable income in 2011.

Even though the debt ratio is at a historically high level, the interest rate is below the historical average. Falling interest rates have made it possible for households to carry a larger debt, without it cramping consumption or saving. The debt ratio has probably also been affected by developments in financial markets and the fact that access to credit has improved. (Questions regarding potential macroeconomic imbalances, primarily regarding household debt, is also addressed in Sweden's Convergence Programme 2012, Section 2.3.)

Figure 4 Household debt ratio and interest rate

Per cent of disposable income



Source: Reuters, Statistics Sweden and own calculations

The Swedish banks survived the financial crisis better than banks in many other countries, thanks in large part to quick decisions and strong support measures. Today the banks maintain good profitability and are well-capitalised from an

international perspective. In connection with the financial crisis it became clear that preventive work and the ability to handle financial crises must be strengthened.

The work to increase stability in the financial system is ongoing. One component of the work to bolster financial stability has been the Swedish Financial Supervisory Authority's decision on a general guideline for borrowing with property as collateral. This so-called mortgage ceiling means that a new loan should not exceed 85 per cent of the property's market value. The new rules went into effect on 1 October 2010. The purpose of the rule is to prevent banks and other credit institutions from using higher lending levels to compete. When indebtedness is too high, borrowers are less prepared to weather fluctuations in real estate prices and the economy, in general.

Banks and credit institutions shall to a greater degree carry their own risk. By paying stability fees into a stability fund they are contributing to the financing of costs that can emerge in potential future financial crises. The Financial Crisis Committee will further investigate how the stability fund fee can be set based on the risks taken by the respective bank (dir. 2011:6).

Accordingly, a list of measures has been implemented to bolster financial stability, but the fact that the Swedish bank sector is big and concentrated, entails risks. That is why it is important that the largest banks in the banking system are very resilient so that they can weather financial crises. The higher the capitalisation, the stronger the resilience. Therefore, the Government, together with the Swedish Central Bank and the Swedish Financial Supervisory Authority, have decided that the four Swedish big banks should have higher capitalisation requirements than the minimum requirement stipulated in Basel III. The Government's ambition is that the higher requirement, in a first step, takes effect on 1 January, 2013. Implementation, however, is affected by the current negotiations at the EU level and stability in the Swedish financial system.

To create even better potential for a well-functioning financial system the Swedish Financial Supervisory Authority received a SEK 38 million appropriation increase in 2012 for more and better supervision of the financial companies.

In parallel with the work to strengthen the regulatory framework and improve supervision of financial markets, the Government is actively working to strengthen the position of consumers in relation to the financial companies. Consumers are at a disadvantage in terms of the knowledge they possess, and there is a risk that this could erode confidence in financial companies. By providing clearer information, consumers will be able to judge the quality of financial products better.

4. A policy for high sustainable growth, high sustainable employment and inclusive welfare

This section presents the Government's structural policy. The policy helps lay the groundwork for an inclusive, smart and sustainable growth, and thus meets the Europe 2020 Strategy's targets and guidelines. The Government's policy will focus on carrying out important structural reforms to strengthen the economy's growth potential, try to prevent imbalances and prolong the economic upturn, and thus lay the foundation for high sustainable growth, full employment and economic stability. Safeguarding strong public finances is the top priority. For the Government's reform ambitions to be realised, the surplus target in the public finances must be ensured and the expenditure ceiling observed. The costly reforms will only be implemented when it is certain that a sustainable scope for reform exists.

4.1 Increased employment among women and men and reduced exclusion

Policy challenges

It's essential to sustainably increase the labour supply and employment among women and men in order to safeguard welfare and alleviate the burden on public finances due to an ageing population. Despite a strong improvement in the labour market in 2010 and the first half of 2011, there are still big challenges in the labour market and these will increase as the labour market becomes weaker. A summary of outcomes and prognoses for key indicators is provided in Table 3.

Table 3 Key indicators

Outcome for 2011, prognosis for 2012-2016. Percentage change unless otherwise stated.

	2011	2012	2013	2014	2015	2016
Employed ¹	2.1	-0.1	0.3	1.4	1.7	0.8
Hours worked ²	2.3	-0.3	0.5	1.6	1.5	0.9
Productivity ^{2,3}	2.4	1.3	3.2	2.3	1.9	2.0
Unemployment ⁴	7.5	7.8	7.7	6.9	5.7	5.2

¹ Aged 15-74.

² Calendar-adjusted.

³ Productivity in the business sector.

⁴ As a percentage of the workforce, aged 15-74.

Sources: Statistics Sweden, National Mediation Office and own calculations.

As a result of the dramatic downturn in the economy, the need for businesses to increase their number of employees will quickly go down. The Government's prognosis shows that unemployment will increase in 2012 to an annual average of 7.8 per cent, and stay at this level throughout 2013. The weak labour market development means that the problems in the labour market risk becoming worse.

Long-term unemployment is still high and the number of people who are long-term unemployed is likely to increase in the coming years. A big challenge will be to ensure that people facing long-term unemployment receive the support they need to find work, and at the same time prevent the number of long-term unemployed people from growing.

An additional challenge is to improve the labour market situation for groups with a relatively weak position in the labour market and for whom the labour market still does not function satisfactorily. Young, older, foreign-born, persons with at most a compulsory school education and persons with disabilities that impair their ability to work are groups who have a weaker position in the labour market compared with the rest of the population. These groups are also the hardest hit when there is a downturn in the economy.

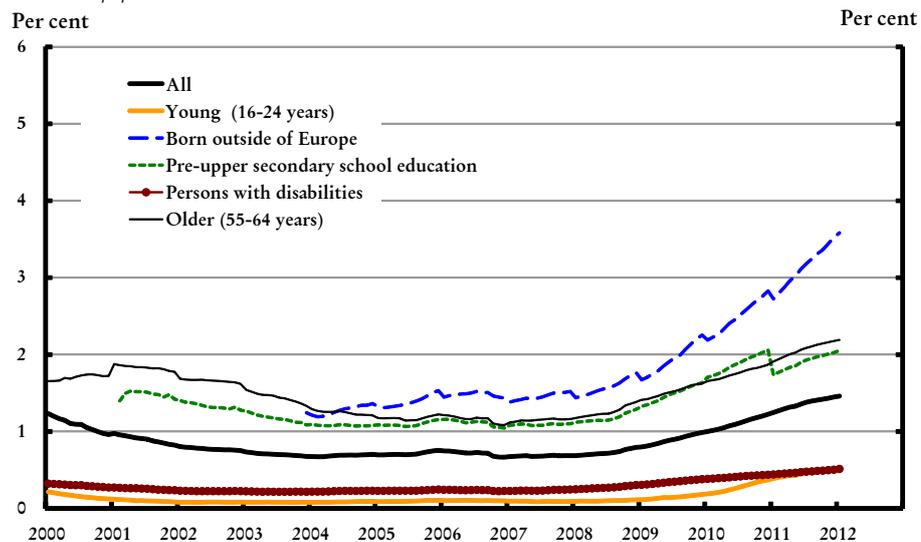
The reasons why people with a relatively short education have difficulty in the labour market can in part be attributed to competition from people with more education for the same jobs and to the fact that the relative demand for people with little education tends to decline over time because of structural changes in industry. Many young people who have left upper secondary school without a certificate belong to this group.

The situation in the labour market for foreign-born people in Sweden is very different compared to those who are born in Sweden. Employment is lower, and at the same time unemployment is much higher among those who are born outside of Sweden, and they more remain outside the workforce. But the differences among the various groups of people born outside Sweden are big. For example, unemployment among those who are born outside Europe, and among refugees and their families, is higher.

Even though unemployment among older people is low, they are at greater risk of long spells of unemployment. There are several reasons why older people have a relatively weak position in the labour market. These include the higher cost of employing them, employer attitudes towards older workers, the design of the occupational pension systems and the retirement norms.

Figure 5 Remaining unemployed and programme participants registered for more than two years

Per cent of population



Note: Calendar-adjusted monthly values.

Sources: The Swedish Public Employment Service and Statistics Sweden.

Everyone who works is at risk of becoming sick or unemployed for shorter or longer periods. Therefore, various types of social security systems, both public and other, are needed. By working, individuals qualify for sickness and unemployment insurance. As a safety net of last resort, social assistance can be paid after means-testing. Young adults and foreign-born people who have not yet got a firm foothold in the labour market are more likely to receive social assistance compared with the population as a whole. There is also an over-representation of single mothers. The trend towards fewer social assistance recipients was broken in 2008. In 2010, 437,000 people received social assistance at some point during the year, compared with 422,000 in 2009. Of those who received social assistance, 38 per cent cited unemployment as the reason for needing assistance. Of those, close to two-thirds were not receiving unemployment compensation. The next most cited reason for social assistance was unemployment obstacles due to social reasons. The cost increase levelled off in 2011. Despite this development, the number of children in households with social assistance recipients is low, seen from a longer term perspective.

Policy direction

The Government's primary goal is to lead Sweden towards full employment through less exclusion. The value of work, which provides freedom, community, security, and opportunities, cannot be emphasised enough. Therefore, the Government works continuously to improve the labour market's functioning through additional measures that increase available labour supply, prevent long periods of unemployment and strengthen the demand for groups with a weak position in the labour market, and improve matching of job-seekers with available jobs.

In recent years the Government has reformed employment policy (see Swedish

Reform Programme for Growth and Jobs 2006–2008 and 2008–2010 and the progress reports for 2007 and 2009, as well as Sweden's National Reform Programme 2011). This has been carried out in light of the need to take powerful measures to ensure there is work for everyone who can and wants to work. Changes have not only been carried out in labour market policy but also in other policy areas, including tax and education policies (see Section 4.2 on Education) and also within the area of social insurance. In the current term of office the Government has also taken measures to improve the standard for groups who, despite strong possibilities to support themselves, have a weak economic position.

An active labour market policy served as the basis for addressing the growing unemployment in 2009 and 2010. The labour market policy was adapted during the downturn by a powerful initiative for active measures addressing those facing long-term unemployment, but also for those who are newly unemployed. Despite a strong improvement in the labour market in 2010 and the first half of 2011, there are still big challenges in the labour market and these will increase as the labour market becomes weaker.

The Government prioritises labour market policy initiatives targeting those in greatest need--that is, those who face long-term unemployment. At the same time, the Government sees the need to take additional measures early in the unemployment period to prevent it from turning into long-term unemployment. This should primarily occur through job search assistance initiatives and improved monitoring of efforts taken by job seekers, but also in the form of additional programme places for those who risk long-term unemployment. At the same time, support for the long-term unemployed should be improved through increased activity and quality of the Guarantee programme for those who are experiencing long-term unemployment.

In the area of working life the Government's goal is a work environment that promotes good health and prevents accidents, prevents people from being excluded at work, is sensitive to people's different capacities and abilities, and contributes to the development of both individuals and operations, and a labour law that creates conditions that foster a working life that satisfies the needs for flexibility of employees and employers, security, influence, and also a wage formation in line with a balanced national economy and industrial peace.

In terms of sickness insurance, it should provide economic security in the event of illness, but at the same time there should be clear incentives to work and increased opportunities to get back to employment, among other things through active rehabilitation. Oversight of the suggested adjustments was based on preserving clear time limits for a gradually expanding interpretation of work capacity. There will be an outer limit for the prolonged sickness compensation, and in order to grant sickness compensation there should be a permanent reduction in work capacity. The compensation profile within the

sickness insurance system will be designed such that incentives to return to work gradually increase.

It's important to the Government that the sickness insurance system is used as actively as possible and that the initiatives are adapted to the needs of those who are sick. The Swedish Social Insurance Administration, the health and medical care system, the Public Employment Service will coordinate rehabilitation measures.

Guideline 7 To address the weak developments in the labour market, the Government proposed a labour market package in the Budget Bill for 2012. This package includes measures to improve the Public Employment Service in the form of stronger support and mediation for those at risk of long-term unemployment, better monitoring of job-seeking activities and higher quality and activities in the special employment support mechanism and the job guarantee for young people. The Government is investing SEK 3.5 billion in 2012, SEK 2.2 billion in 2013, SEK 1.1 billion in 2014, and SEK 0.4 billion in 2015 in structural measures to combat long-term unemployment as temporary measures to address the downturn in the labour market.

Long-term unemployment In order to reach the goal of full employment, more long-term unemployed people must find jobs. The Government has found that the activity level in the job and development guarantee was not sufficient and that closer contacts and support for job-seekers is necessary. In light of this, the Government has bolstered the allocation for the Public Employment Service's administrative costs by 8 per cent in 2012, and 4 per cent in 2013. The aim is to increase the number of programme officers working with the job and development guarantee, and the job guarantee for young people. The Government has also added funds in 2012 for programme initiatives within the initial phases of the job and development guarantee. Further, profiling can be an important support when assessing the job-seekers opportunities for getting employment and the measures needed to avoid long-term unemployment.

In 2011 and 2012 the special employment support mechanism, a form of subsidised employment, was strengthened by raising the compensation ceiling and financial support for coaching. This reinforcement, which was highlighted in Sweden's national reform programme 2011, has been extended through 2013.

To raise the standard of the job and development guarantee's employment phase, participants have been given the opportunity to participate in labour market training. This opportunity has been extended through 2012. Furthermore, the general reinforcement of the special employment support mechanism will be supplemented with increased supervisory support for participants in the employment phase.

*Adult
education*

To give unemployed people the opportunity for education, but also to prevent a lack of vocationally trained people, the Government is focusing on adult vocational training at the upper secondary school level in the municipal adult education. This education provides the individuals with the opportunity to participate in basic vocational training based on their own needs and wishes. More information on this initiative is provided in Chapter 4.2.

Youth
Guideline 7, 9

Young people who have not completed upper secondary school run a big risk of long-term unemployment. To prevent this from happening a number of educational initiatives have been put in place for this group, with the aim of encouraging them to complete their studies. Starting in 2010, a so-called folk high-school initiative was implemented to motivate youth and those who have not completed their compulsory or upper secondary school educations. This initiative has been extended through 2013. In addition, the higher study grant in the system of financial support for studies has been made available for studies in the municipal adult education system in 2012 to unemployed young people aged 20 to 24 who lack a certificate from compulsory or upper secondary school and who participate in the job guarantee for youths (see fact summary "Job guarantee for young people") or in the job and development guarantee.

Fact Summary: Job guarantee for young people

The purpose of the job guarantee for young people, which was established in 2007, is to offer unemployed young people access to special employment initiatives at an early stage, so that they as soon as possible can find work or start a course of study in the regular educational system. The job guarantee for young people is for young people between the ages of 16 and 25 who have been unemployed for 90 days within a four-month period and who are seeking work through the Public Employment Service. Young people are eligible for initiatives under the job guarantee for a total of 15 months. The first three months of the job guarantee for young people include a more rigorous support in the form of educational and professional guidance and coaching. At the end of the initial period, the matching measures can be bolstered by initiatives such as support to help start a business, an internship, work-oriented rehabilitation or the folk high school education initiative for young people who have not completed upper secondary school. Due to the difficult labour market situation it has been possible for young people to avail themselves of these initiatives starting on the first day of the guarantee.

In 2010 the portion of those who had a job, with or without support, 30 days after they left the guarantee was 49 per cent. The corresponding share of those who started an education was 13 per cent. In 2009 the corresponding figures were 50 per cent and 17 per cent, respectively. The number of those who have gotten jobs has more than doubled compared with 2009, and the number who have started an education has increased 50 per cent, which is very positive.

The Institute for Evaluation of Labour Market and Education Policy (IFAU), a research institute within the Ministry of Employment, has conducted a study (Report 2011:1) about how the Public Employment Service's initiatives for unemployed young people help young people find jobs faster than they would in the Public Employment Service's services for older people who are unemployed. The report shows that there isn't a long-term effect from participating in the job guarantee for young people. In the short-term, however, the expected time to find a job shortened, sometimes as a consequence of participation in the Public Employment Service's initiatives for young people and sometimes as an effect of knowing that instructions for a youth

initiative would soon come, a so-called advertising effect. Another IFAU study (Report 2010:22) evaluated the content and activity level in the job guarantee for young people. It shows that the activity level in the guarantee is low compared to the labour supply for the participants. Sixty-three per cent of the participants said they spent at most 10 hours a week looking for jobs and participating in activities. The participants participated on average in 3.5 hours of organised activities a week (their own job-seeking not included), and contact with a supervisor or the employment agent was relatively limited.

To raise the activity level and increase the quality of the job guarantee for young people, the Public Employment Service has received increased resources raise the number of supervisors working with the guarantee. The purpose of the reinforcement is to help young people in the guarantee as quickly as possible find work or start an education in the regular educational system. Furthermore, starting in 2012 a limited number of young people at risk of long-term employment and prolonged exclusion, based on the Public Employment Service's profiling tool, can participate in increased activities starting on the first day of unemployment (others are offered primarily programme initiatives after three months of unemployment within the framework of the job guarantee for young people).

Compared with many other sectors, a large portion of employed people in the restaurant business is young people. In the Budget Bill for 2012 the Government lowered the value-added tax from 25 per cent to 12 per cent for restaurant and catering services. This can contribute to increased job opportunities and reduce unemployment, especially among young people. The reduction went into effect on January 1, 2012.

Persons with disabilities
Guideline 7,
10

The Government sees it as particularly important that people with disabilities that impair their capacity to work receive the support they need to find, get and keep jobs. This is an important component of implementing the Government's strategy for disability policy in Sweden during 2011–2016. To help people with disabilities that impair their capacity to work find employment, a number of measures have been taken in several areas. This includes ensuring that the labour market policy initiatives work efficiently and in accordance with set goals, and that the job-seekers with impaired capacity to work receive the support they need from increasing the information and knowledge among the employment agents and employers, and also that a dialog with them creates more work opportunities for people with disabilities that impair their capacity to work. In December 2011 the Government assigned the Public Employment Service together with the Swedish Agency for Government Employers, the Swedish Agency for Disability Policy Coordination (Handisam), the Swedish Work Environment Authority, and the central state employee organisations, to develop a proposal for an internship programme at state authorities for people with disabilities that impair their capacity to work, including how it should be formed and implemented.

Promoting business is an important part of increasing the employment level

among people with disabilities that impair their capacity to work. Of special importance are the programmes "start of business" and "special support at the start of a business", which are available through the Public Employment Service. Social enterprises are also important stakeholders in efforts to find jobs for and employ those job-seekers who are excluded from the labour market. The Government also approved a national action plan in 2010 for work integrating social enterprises.

The Government also appointed a special investigator in 2011 to evaluate labour market policy initiatives for people with disabilities that impair their capacity to work. The investigator will deliver an overall proposal for how these initiatives should be designed in order to help people with disabilities that impair their capacity to work find and keep work.

Work and employment for people with mental illness and people with mental disabilities is also a prioritized issue for the Government, also in the future psychiatric initiative. The work with designing the direction of the psychiatric initiative starting 2012 has begun.

*Return to
the labour
market*
**Guidelines 7,
10**

With the aim of meeting the needs of people who have reached the maximum number of compensation days from the sickness insurance, on January 1, 2010, the labour market programme, the introduction to working life, was established. The aim of the introduction is to during the three-month programme period establish the need for continued support in anticipation of a transition to work, education or other employment-related initiative offered through the Public Employment Service. Someone who after the introduction is unable to work because of illness can re-enter the sickness insurance system.

The reformed sickness insurance has prompted a need for increased cooperation, with a more active approach, with more and earlier transitions from the Swedish Social Insurance Administration to the Public Employment Service. The Government finds that increased support to individuals is needed to create new ways back to the labour market and to take advantage of people's capacity to work. The Public Employment Service and the Swedish Social Insurance Administration were assigned in 2012 to expand the cooperation, with the aim of reaching more people on long-term sick leave to help them return to the labour market. The focus of the increased cooperation will centre on the authorities' cooperation earlier in the sickness than today, and in connection with the time limits in the rehabilitation chain. The cooperation will also apply to young people with activity compensation.

Foreign-born
Guideline 7

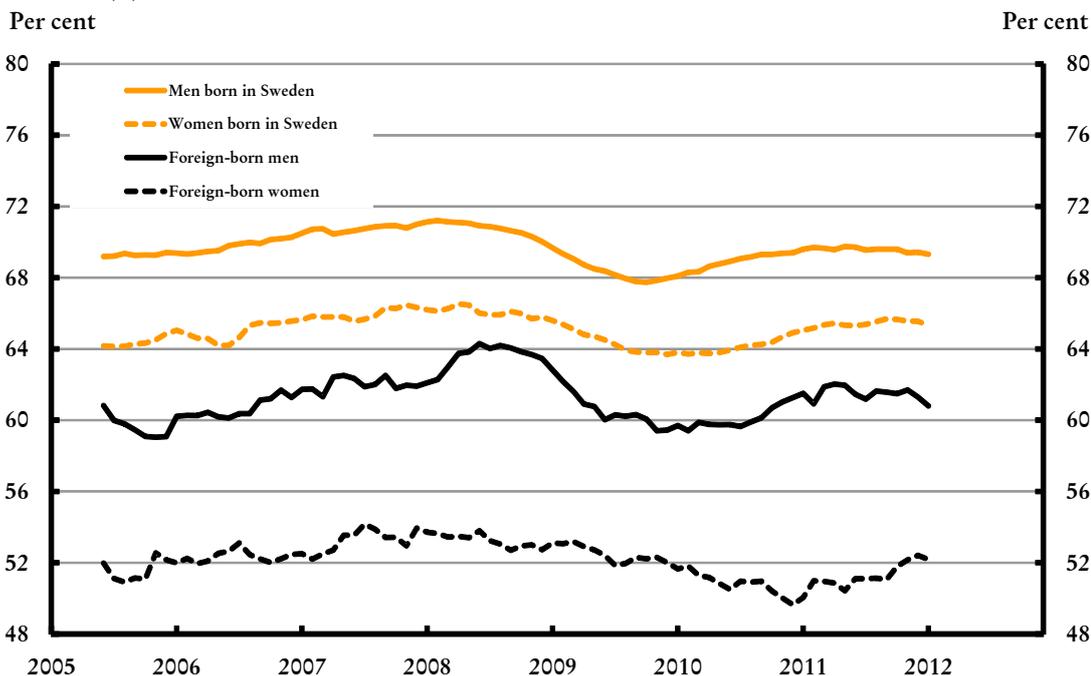
The so-called Introduction Act has been in place for a little more than a year. The reform is geared towards helping newly arrived refugees and their families become established more quickly in the labour market. Already the Public Employment Service is getting involved at an earlier stage. The reform includes the introduction of a state individual benefit that strengthens the incentives for

both women and men to participate in activities and to work at the same time, in addition to their introduction activities. The Public Employment Service has overall responsibility to coordinate various measures to speed up newly arrived immigrants' introduction to working and community life and draw up an introduction plan. The activities in the introduction plan should contain, at minimum, Swedish for Immigrants (SFI), civic orientation and employment preparation activities. So far the introduction compensation has been reduced to correspond to the increase in the work initiative in the introduction plan. To lower the margin effects of the work in the introduction plan, the introduction compensation will not be affected by the size of the employment income. The Public Employment Service has since December 1, 2010, received 8,000 people in conjunction with the introduction programme assignment. It is still too early to say anything about the results of the reforms. But the Government can conclude that today the Public Employment Service meets the target group for the introduction assignment much earlier than in the last assignment. Most of the newly arrived people have received an introduction plan. Of those who received an introduction plan, 95 per cent have participated in some form of labour market programme or labour preparation activities, 79 per cent participated in Swedish for Immigrants (SFI), and 39 per cent took part in civic orientation activities.

The Introduction Act also improves the potential for gender equality. Today there are big differences in terms of employment among foreign born women and men. One of the biggest integration and gender challenges today is helping more foreign-born women support themselves. The newly implemented Introduction Act reform has a clear focus on gender equality. An individual social benefit that is not affected by other household members' incomes creates stronger incentives for both spouses in a family to participate in activities which will prepare them for work. More needs to be done, however. Therefore, the Government has appointed a commission to propose initiatives that will increase labour market participation and speed up the establishment of newly-arrived foreign-born women and immigrants joining their families here.

Figure 5 Employment rate for the foreign- and native born, by gender, ages 15-74

Per cent of population



Note: Seasonally adjusted data, three-months sliding average.
Sources: Statistics Sweden.

Older people
Guideline 7

In addition to earlier reforms to encourage labour force participation by older people and to improve opportunities for older unemployed people to stay in the labour market, the qualifying time for a “new start” job has been temporarily shortened from twelve to six months for people who have turned 55. The temporarily shortened qualifying time for older people was originally intended to be in effect until June 30, 2012, but this has been extended through 2013. Furthermore, people ages 55-64 can get new start jobs up to ten years, double the length compared with people ages 26-54. A new start job, a form of subsidised employment, gives employers financial support equal to double the amount of the payroll tax.

Employment forms
Guideline 7

It should be easy to hire, and permanent employment shall be the foundation of the Swedish labour market. At the same time, temporary employment plays an important role and can serve as a bridge to the labour market, especially for weaker groups such as young people and foreign-born people. However, it's important that short-term employment is not exploited. A proposed change to the Employment Act (1982:80), given the requirements in the short-term employment directive, has been developed for referral. The proposal is currently being prepared by the Government Offices. In addition, a public investigation is examining if employer costs related to employment termination disputes can be reduced.

The goal for labour law, generally, is to create conditions in the labour market that meet the needs for security, influence and flexibility of employees and employers. The labour market rules in Sweden offer a good climate to combine

stable conditions in the labour market with a high level of employment.

*Work
environment*

The demographic trend means that more people will have to work longer in the future. A good work environment is important both in terms of preventing illness and accidents and to try to prevent people from being excluded from the labour market prematurely. The Government has appointed a special investigator to see over the pension-related age limits and opportunities for a longer working life. The assignment includes, among other things, analysing and proposing measures in the area of work environment. The conclusions of the assignment will be presented on 1 April 2013 (see also the section on "longer working life" below).

In the autumn of 2010 the Government also drew up a national action plan for a revitalised work environment policy for 2010–2015. The plan focuses on risks and opportunities associated with working life, reduced exclusion, competitiveness and profitability, and understanding and knowledge of work environment issues. The Government is also implementing a trial programme for coaches with special work environment competency to serve as a support during the first very important time in the workplace (coaches over the threshold). This strategy covers the period 2011–2013.

The Government has in 2011 also given the Swedish Work Environment Authority an assignment to develop and implement special measures to prevent women from being excluded from working life due to work environment-related problems. The Government allocated SEK 20.5 million for this initiative, and the assignment aims to increase knowledge about women's work environments and improve methods in the oversight work to better draw attention to risks and load injuries. This initiative will continue until 2014.

*Sickness
insurance*
Guideline 10

The extensive sickness insurance reform carried out in the Government's previous term of office yielded results. There are fewer individuals on sick leave and the sick leave process is characterised to a greater degree by early and active initiatives. Absence due to sickness is reaching a low and stable level with significantly fewer people leaving the labour market due to early retirement associated with illness compared with before. The granting of new sickness compensation has not been this low since the benefit was established in 2003. The sick leave process is now characterised by higher activity, earlier measures and clearer rules. This is in line with the basic direction that has been in place in recent years to bring back the adaptation approach that should characterise the sickness insurance.

Support to individuals is needed to create new ways back to the labour market and to take advantage of people's capacity to work. Different forms of initiatives and cooperation should be introduced at an early stage, be adapted to the rehabilitation sequence's various time limits and offer support that is adapted to the needs of the people affected. Therefore, the Government has

allocated an additional SEK 500 million annually starting in 2012, to strengthen the cooperation among the rehabilitation initiatives.

The rehabilitation guarantee has since 2008 gradually developed through agreements between the state and the Swedish Association of Local Authorities and Regions. Rehabilitation, here, refers to evidence-based medical rehabilitation measures of a somatic and psychological character, and provided to the individual. In 2012 SEK 1 billion was allocated to the rehabilitation guarantee, and of this sum, SEK 100 million will be used for research to evaluate the treatment methods and the initiative as a whole.

The number of young people who collect activity compensations³ is still at a high level. The Government has initiated an internal process across the ministries to develop initiatives that will help more people collecting activity compensation end the benefits and get into the labour market, and help more young people with disabilities get work instead of relying on the activity compensation.

According to the Government, it's very important to strengthen initiatives to prevent the exclusion of people with disabilities that impair their capacity to work. Even those who have a very clear limited capacity to work due to an illness should be able to contribute. That is why the Government is taking measures to create more opportunities for those who leave the sickness and disability insurance but have difficulty competing in the regular labour market. The Public Employment Service has received additional resources so 3,000 places can be established for people who have left the sickness insurance and who are considered far from the labour market.

In 2010 the Government convened a parliamentary committee – the Committee for Sustainable Sickness and Unemployment Insurance – which was assigned to look over the insurance for sickness and unemployment. The committee will consider changes that can lead to a more sustainable sickness insurance and unemployment insurance. Among other things, cooperation between the sickness insurance and the unemployment insurance will be highlighted. The committee will also analyse and check for possibilities to develop support from society that can facilitate a transition to work or studies. The committee's work will be presented in its entirety at the latest on 15 May 2013.

All in all, the Government finds that the mentioned reforms and initiatives will significantly contribute to increase the number of employed people and play an important role in bolstering the employment policy.

³ Activity compensation is a benefit for people between the ages of 19 and 29, and who have a permanently impaired work capacity.

*Longer
working life*
**Guidelines 7,
10**

From an international perspective older people in Sweden have a high employment rate, but that diminishes significantly the older the people get. Many older people leave the workforce through retirement according to collective agreements or with sickness compensation. Most people retire at the age of 65, even though there is no longer a mandatory retirement age. This probably is a reflection of the fact that norms largely influence behaviour in the labour market. As a result of a higher average life expectancy that no longer corresponds to the working life, there are more older people in relation to the number of people who are gainfully employed. To manage growth and future welfare, this trend must be broken and working life gradually extended. In light of this, in April 2011 the Government appointed an investigation (Overhaul of retirement-related age limits and opportunities for a longer working life) with the mandate to perform an analysis of the current retirement-related age limits, and identify obstacles and opportunities for a longer working life. In addition, the investigator will propose alternative strategies for handling the retirement-related age limits. The investigator will also propose steps for the labour environment and other areas that will improve conditions that will allow people to work longer. The investigator will present the report on 15 April 2012. Suggestions relating to age limits and measures to increase opportunities to work longer will be submitted on 1 April 2013.

*Social
assistance*
Guideline 10

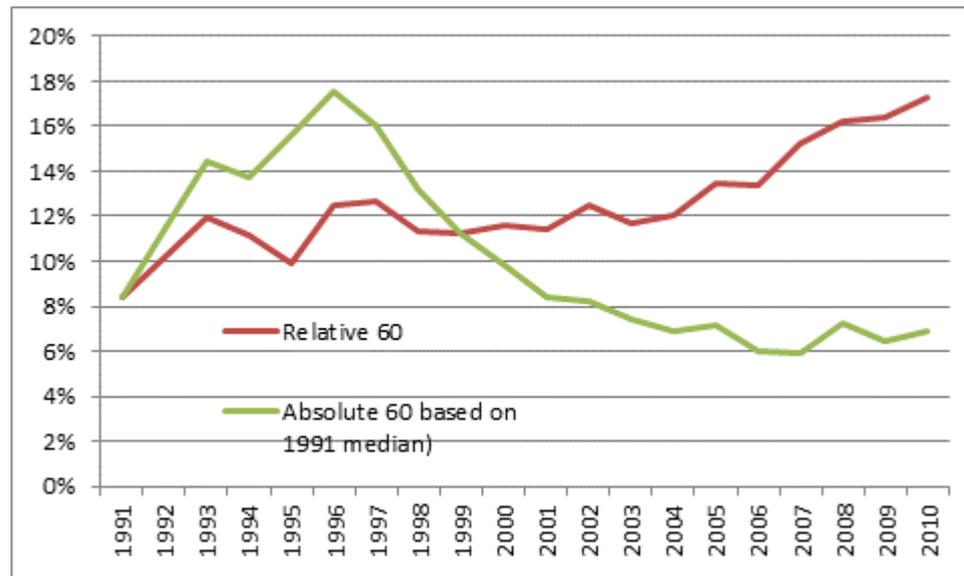
Social assistance is the ultimate safety net, and the aim of assistance is to step in temporarily when people during short periods of time have difficulty supporting themselves. Assistance, however, has increasingly become a long-term solution for many people. Given that the purpose of assistance is to step in when all other possibilities of support have been exhausted, it isn't always advantageous to take on short-term jobs as the increase in income, lead to a corresponding reduction of assistance. To reduce the margin effect associated with short-term jobs and increased working time, the Government intends to change the calculation of income support, so that only a part of the work income is included in the assessment of the right to social assistance. Initiatives by the municipalities and the Public Employment Service are needed and require effective, coordinated solutions. Therefore, the government has assigned the Swedish Agency for Public Management to survey the municipalities' and the Public Employment Service's initiatives and coordination to promote employment among people receiving social assistance.

For people in a vulnerable situation, there are often complex problems that require coordinated rehabilitation measures from the social services, the health and medical care system, the Swedish Social Insurance Administration and the Public Employment Service. In a little more than two-thirds of Sweden's municipalities these agencies have implemented such initiatives through coordinating organisations.

The Swedish economic family policy system provides comprehensive economic

assistance to families with children, both through direct assistance and by making it easier for parents to combine work and family. The parental insurance – that is the parental benefit, pregnancy benefit and temporary parental benefit – compensates largely for income lost during parental leave and creates, together with the gender equality bonus, good potential for parents to keep a foot in the labour market and at the same time stay at home when the children are small.

Figure 6 Two measures of the living standard among individuals aged 0-19 1991- 2010



Source: Statistics Sweden and the Government Office's own calculations

There are different ways to measure low living standards. The portion of children living in households with an income lower than the 1991 relative limit, adjusted for inflation (in the diagram called the absolute measure), has gone down significantly compared with the high levels in the 1990s, and during the past years has been at about 7 per cent. At the same time, the portion of children living in households with income under 60 per cent of the median income (a relative measure) has gone up to about 17 per cent in 2010. The difference between the measures can be explained by the fact that even those with low income have had an increase in earnings that surpasses inflation, and thus a real rise in income. At the same time, the income in child households with low income has not risen as fast as the median income in society as a whole, which means the share of households with income lower than 60 per cent of the median income has gone up.

The main determinant of children's financial vulnerability is generally that their parents lack work or education. Measures in these areas are therefore of great importance in trying to prevent children from living in financially vulnerable circumstances. Child households of foreign background generally have a lower economic standard compared with child households with a Swedish background. Income support for families strengthens single- parent

households more than it benefits two-parent households. At the same time, the fact that benefits and allowances are either fixed sums or follows the price development instead of the income development, and that the disposable income for single-parent households – in which the income to a higher degree is based on income support to families – lags behind the real income development. To improve the financial situation for child households with the weakest economy a special allowance for children living in families that receive a housing allowance was increased on 1 January 2012, and the lower threshold for living expenses for which housing allowance can be granted has been lowered. Households with young people also received a higher compensation. The change is a reduction in the number of people with income under 60 per cent of the median. The cost for the reform amounted to about SEK 1.2 billion. This means that the average sum paid to child households receiving housing allowance increased from 2,021 kroner a month in 2011, to 2,765 kroner a month in 2012, which corresponds to an increase of about 37 per cent. An increase in the large family supplement in the child allowance came into effect on 1 July 2010.

In addition, the right to social assistance guarantees child households a reasonable standard of living. Starting on 1 January 2012 the national standard for all groups was increased by three per cent, but there was also a special increase for most child households.

*Access to
health and
medical care*

Adequate access to high quality health care contributes to good health and active participation in society. Most Swedes feel they have access to the health care they need. Still, there is a need for targeted measures to achieve further improvements. Transparent comparisons of results, quality and efficiency are important tools for the Government, in cooperation with among others the National Board of Health and Welfare and the Swedish Association of Local Authorities and Regions, to achieve systematic improvement and improve equality. The Government will continue to invest in systems that give individuals more opportunity to choose healthcare providers and to reduce the waiting time for health care. Examples of initiatives to reduce waiting time are the regulated “health care guarantee” and extra financial stimulus measures. These initiatives are supplemented by special initiatives in certain areas such as psychiatry. The patient's position is an important aspect of creating improved opportunities for participation, choice and the power to influence one's own care. Access to good and effective information about health and the related services are necessary for improving the patient's position. The Internet and interactive services generally are playing an increasingly central role in the communication with patients.

Homelessness

The National Board of Health and Welfare's latest survey on homelessness, its extent and character, shows that very few of the homeless people have wage labour, and social assistance is a regular source of income. Almost half of the roughly 34,000 people who have been reported to be homeless or excluded

from the regular housing market in 2011 live in relatively long-term living situations, such as trial apartments and apartments rented by Social Services. Of the reported homeless people, there were about 3,400 in urgent homeless situations. Of these, 280 sleep outside in public spaces. The municipalities are responsible for housing and support to people with a variety of social problems. The Government has appointed a homelessness coordinator to support the municipalities' work, especially to prevent eviction. Improved eviction statistics and support to municipalities' housing planning are other initiatives to prevent homelessness.

*Non-
discrimination*
Guideline 10

The work to prevent discrimination is important in both working life and education, as well as in counteracting poverty and social exclusion. The Government will continue its work to ensure protection against discrimination, and on legislation that is as effective and comprehensive as possible. The Government will consider the need for additional measures in the quest for a society that is free from discrimination.

Roma

In the Budget Bill for 2012 the Government states that there are still examples of individuals who belong to a national minority that is still subjected to discrimination and negative reception. Some are also more economically and socially vulnerable than the rest of the majority population. This is particularly marked among the Roma population. The Government deems there is a need for a number of measures to improve the situation of the Roma and to reduce the welfare gap compared with the majority population. The Government presented on 16 February 2012 the communication "A coordinated and long-term strategy for Roma inclusion 2012–2032" (Skr. 2011/12:56). The overall goal with the twenty-year strategy is for a Roma who turns twenty years old in 2032 to have the same opportunities in life as a non-Roma. The rights Roma then twenty should be safeguarded within ordinary structures and areas of activity to the same extent as are the rights for twenty-year-olds in the rest of the population. The target group is above all those Roma who are living in social and economic exclusion and are subjected to discrimination. Women and children are a special priority. During 2012–2015 the Government has allocated SEK 46 million to measures for the Roma. Regular follow-up of the development on a national level regarding the Roma people's inclusion will be an important tool to secure the better protection of Roma people's access to human rights. The purpose is among other things to follow up on the situation of Roma in relation to the Parliament's educational goal for Swedish children and youth and the Government's goal of full employment.

The Government's reform ambitions

Crucial to a high standard of living for the individual and in society, in general, is that it pays to take a job for those who aren't working and that it pays for those who do have jobs to work harder. The in-work tax credit is an effective instrument in the Government's work to reduce exclusion and increased lasting employment, and to make entrepreneurship more attractive. An additional

boost to the tax credit increases the number of work hours by lowering the threshold to enter the labour market even more. Strengthening the in-work tax credit presupposes a relatively large scope for reform.

The number of people who pay in to the unemployment coffers has increasingly gone down, and there are more people in the labour market who don't have income-related protection/insurance in the event of unemployment. The basis of a modern welfare state should be that everyone with a solid position in the labour market is entitled to income-related unemployment benefits. In the spring of 2010, the Government assigned the parliamentary committee on sustainable sickness and unemployment insurance to review the sickness and unemployment insurances and how they in the long-term can be improved, be more cohesive, balanced and sustainable, and contribute to higher employment in the long-term.

As part of the work to improve integration of the labour market, the Government has commissioned an investigation that will review the possibility of implementing a system of tax reliefs for businesses located in city neighbourhoods with widespread exclusion, so-called new start zones. The goal is to create jobs and increase employment in areas where, among other things, the employment rate is markedly under the national average.

The Swedish model constitutes a good foundation for a well-functioning labour market. The Government is of the opinion that fundamental elements of the labour law should continue in the future. However, certain elements of the labour law are designed in a manner that may render it more difficult for certain groups, such as young people, to get established in the labour market. Therefore, there are reasons to make minor adjustments to the existing rules to mitigate those problems. The Government wants to introduce two special employment forms for apprentices to facilitate entry into the labour market for young people. The question of a new employment form for students enrolled in an upper secondary school apprentice education is being prepared now by the Government Offices. With regards to apprentice probation employment, the Government has called for a special inquiry. The assignment will be presented at the latest on 30 November 2012.

The formation of the tax and social insurance systems affects the incentives for working, which is why the Government's policy is geared towards strengthening the work-first principle. The reforms in the social security systems will be followed up, and needed adjustments will be tested to facilitate the path back to work.

Activity compensation was implemented for young people between the ages of 19 and 29 who lack the capacity to work due to illness in 2003. Within the framework of the compensation young people are offered activities to improve their working ability. This can help them to eventually enter the workforce and

leave the compensation system or enjoy a life filled with activities. An interdepartmental working group was created to look at existing measures that help people with activity compensation so they don't need to rely on compensation and can enter the labour market, and identify additional measures needed to help young people with disabilities prepare for work instead of relying on activity compensation.

Given the increased average life expectancy and the imminent increase in older people compared with the number of gainfully employed people, the Government has appointed a special investigator to assess retirement-related age limits, as well as obstacles and opportunities for a longer working life. The investigator will propose alternative strategies for how the retirement-related age limits should be handled.

4.2 Increased knowledge

Policy challenges

Sweden shall be a leading nation in the area of knowledge and research characterised by high quality. Knowledge allows people the opportunity to grow and influence their situation. Education contributes to the individual's development, civic engagement and critical thinking. A high level of education is crucial if Sweden is to be well poised to meet the challenges of globalisation and secure prosperity. Increased global competition, demographic changes and rapid technological developments have increased demands on competence in basically all areas of the labour market. The labour market's needs should be considered in terms of education at all levels, so that we can secure good skills provision and competitiveness for the future.

There is no shortage of challenges facing the education system. One example is the inequalities among various groups of students, which appear to be lasting. Girls achieve better results than boys; students who immigrated before the age of 7 do better in school than students who immigrated to Sweden when they were at least 7 years old. Students with parents with higher education achieve better results than students with parents with little education. School must be able to compensate for this, so that all students have an equal chance of achieving the knowledge targets. Results in compulsory school have gone down since the 1990s. A little more than one in 10 students who finish compulsory school does not qualify for national upper secondary school programme. Altogether 12.3 per cent of students who left compulsory school in the spring of 2011 were not qualified. The quality of higher education needs to be strengthened. There are many challenges and to meet them the Government has initiated a multitude of measures to improve results in the Swedish education system, in general.

Policy direction and reform ambitions

In recent years the Government has carried out a comprehensive reform of the Swedish school system and intends to continue this work to improve different aspects of the educational system in 2012. The single most important factor for the students' study results is the teachers. The teaching in school must be practised by well-educated and well-trained teachers who can impart knowledge and values and motivate students to learn more. Major steps are being taken to raise the competence of teachers and the status of the teaching profession: the teaching programmes are more specialized, the qualification requirements to teach in the school system have been strengthened, and measures to improve the competence of teachers continue. Results in the compulsory school shall be improved by clearer knowledge requirements and earlier follow-up, so that students enter upper secondary school better prepared. After the newly reformed upper secondary school was introduced in the fall of 2011, the work to prepare upper secondary school students for the labour market, entrepreneurship and further studies has continued. Stricter supervision and accountability measures regarding school quality have been introduced. The new higher vocational education increases opportunities for adults to develop their competence and strengthen their position in the labour market. For a very long time the number of student places was the primary focus of reforms in higher education, instead of the quality of the education. Higher education lays the foundation for future research and contributes to general education and a well-educated labour force. That is why the Government's reforms are geared towards raising the quality of higher education.

To develop the school and to shift a downward spiral demands long-term changes and obviously it will take some time before a measurable effect can be seen. That is why it can take some time before the schools and the students' results move in the direction the Government and parliament intended. Despite this, the Government intends to continue to reform the school system. Its ambition is to increase the potential for more knowledge by investments in Sweden's future as a knowledge nation totalling SEK 7.7 billion in the period 2010–2014.

Compulsory school

Guideline 8, 9

In its reform work, the Government has focused on the early school years as they constitute the foundation of a successful education. In order to identify students in need of special support at an earlier stage, the Government has taken the initiative for several measures aimed at strengthening the follow-up and evaluation of students' level of knowledge. For example, this includes introducing the requirement of written assessments starting in school year 1, marks starting in school year 6 in compulsory school and more national tests. The students' right to special support has also been strengthened. In addition, new curricula and syllabuses have been introduced in compulsory school. Furthermore, the Government has implemented a multi-year initiative for basic skills like reading, writing and arithmetic. The Government has also, starting in

2012, initiated a special measure targeting a number of compulsory schools in socially vulnerable areas with the aim of developing methods to support students in improving their knowledge and raising results. In addition, an evaluation function has been implemented in the area of education.

*Upper
secondary
school*

In the autumn of 2011, a fundamental reform of upper secondary school was conducted with the aim of getting more students to finish upper secondary school with passing grades, increase the throughput and enhance the prior knowledge students need for professional life and continued studies. An important part of the reform is that the vocational education and training to a large extent is adapted to the needs of the labour market. That is why all content has been analysed together with different trades and parties. The Swedish National Agency for Education has also been assigned the task of suggesting a systematic plan to follow-up on how former students get established in the labour market. Requirements for admission to a national programme have increased so that students are better prepared for their studies, and thus have a better chance of completing their education in the normal time. The content of the courses have been redistributed with a bigger focus on those subjects that are most central to the education. For students in a vocational programme this means deepening their knowledge in a vocational area and that less time is spent on general subjects. To create more room for vocational subjects, vocational programmes in the new upper secondary school will not automatically provide eligibility for higher education. However, all students have the right to study for basic eligibility for higher education, either while they are studying in the vocational programme or later through adult education.

The individual programme has not accomplished its task of providing students without passing marks from compulsory school the basic skills and knowledge needed to enter a national upper secondary school programme. It will therefore be replaced with five introductory programmes better suited to students' individual needs, wishes and potential: preparatory education, programme-oriented individual choice, introduction to a profession, individual option and language introduction.

Under the new Education Act, students have the right to support in meeting the stricter education targets. This also helps give more students the skills required to meet education targets. Starting in 2012, the Swedish Schools Inspectorate is given special resources to increase oversight and to monitor the quality of the upper secondary school vocational education and training. This also applies to vocational training located in the workplace.

*Municipal
adult
education*

In terms of the municipal adult education, the new Education Act will improve the chances for an education tailored to the individual's needs and potential under the municipal adult education system. This will be accomplished by making vocational and educational guidance a right for all students, by giving

more importance to the individual study plan and giving validation a more prominent role as an integral part of the education system. The Government's hope is that the adult education will in future better respond to the diverse needs of individuals. This may, in turn, lead to better throughput and better study results in adult education.

*Continued
investment in
teachers'
competence*
Guideline 8, 9

Going forward, the Government sees a continued need to strengthen the competence of teachers and raise the status of the teaching profession. To raise the quality of the school, a package with continued skills enhancement measures for teachers has been initiated, the so-called Boost for Teachers initiative, and teacher education has been reformed. The new teacher training provides more specialised training aimed at students in different age groups and different subjects. In addition, a professional certification for teachers and pre-school teachers has been introduced, with the aim to raise the status of the teaching profession, among other things. The qualification requirement for the type of school and school level a teacher can work with has been made clearer. The Government also aims to implement a special career development reform with different developmental steps to improve professional skills in the compulsory and upper secondary schools. The opportunity to participate in a workplace internship has been introduced for vocational teachers. The internships are at least two weeks every five years, with the aim to update the teachers' professional knowledge and skills. In addition, starting in 2012, an in-job training initiative for teachers of mathematics and measures to improve pupil welfare in compulsory school will be implemented.

To meet labour market requirements and increased competition from other countries, the Government is taking steps to improve education in mathematics, natural sciences and technology. In the autumn of 2011 a trial programme was introduced with a fourth year focused on technology in the upper secondary school that will lead to a qualified upper secondary school engineering degree. Starting in 2012, students in natural sciences and technology programmes will be able to do an internship in the technology sector upon completion of the upper secondary school programme. In accordance with the plan, this initiative will receive SEK 100 million in support from the Government starting in 2013 and lasting over a three-year period. Students' creativity and entrepreneurship is encouraged through initiatives that promote entrepreneurship and creative activities in school. With the upper secondary school reforms, students will be better prepared to meet the requirements of modern working life and developments taking place in various occupations and sectors. This will make it easier for young people to get established in the labour market as employees or in their own businesses.

To support the regions hardest hit by the economic downturn the Government has added about 1,850 new spots in higher education, higher vocational education and the municipal adult education in the county of Västra Götaland for 2012. The initiative should continue with about 1,600 student places in

2013 and about 300 places in 2014. The total cost of the student places, including study allowance, will be SEK 376.5 million for 2012–2014.

Initial vocational education and training in upper secondary school

The content of all initial vocational education and training in upper secondary school has been updated starting in the autumn of 2011, among other things with the aim of meeting needs in the labour market. To improve cooperation among the education system, stakeholders and different lines of business, the National Agency for Education was assigned the task of convening national programme councils for the vocational programmes. Requirements for local cooperation between schools and working life have also been established. To broaden opportunities for students, the largest initiative ever for upper secondary apprenticeship training is being taken. For students this will provide an alternative to school-based vocational qualification in upper secondary school, in which more than half the training time is to be spent at one or more work places. The National Agency for Education has been assigned the task of following up the trial programme with apprenticeship training at upper secondary school level that was initiated in 2008. It will also develop steering documents and support materials to facilitate planning, implementation, and assessment of the education occurring at a workplace.

Higher vocational education
Guidelines 7-9

Extensive reinforcements have been introduced during the past three years in the area of education, which has meant that additional resources have been allocated to higher vocational education so that more people can receive education in the areas that require a skilled and educated labour force when the economy improves. In 2011 about 44,000 people participated in some 1,100 higher vocational education programmes offered by 241 different education providers. Since the beginning of 2009, the National Agency for Higher Vocational Education has been responsible for ensuring that the higher vocational education programmes satisfy the need for skilled labour in the labour market or contribute to developing or maintaining the number of qualified professionals in certain narrow occupational areas. More possibilities to participate in vocational education and training create opportunities for groups with high unemployment to obtain a job. The National Agency for Higher Vocational Education has been assigned to prepare and execute a pilot project starting in the autumn of 2012, with the aim of improving access to higher vocational education for people with disabilities. The project will comprise five education providers that will each carry out at most two sessions.

Adult vocational training initiative
Guideline 8

To address challenges associated with the recession and large cohorts of young people, the Government decided in 2009 on a targeted initiative for adult vocational training at upper secondary school level in the municipal adult education and education for adults with intellectual impairment. The purpose of the adult vocational initiative is to give people who are unemployed the opportunity for vocational education and training or give those at risk of being laid off the possibility of getting educated in a new professional direction, but also to prevent a situation in which there is a lack of skilled and competent

people by offering individuals the opportunity to participate in an initial vocational education and training programme based on their own wishes and needs. The initiative for adult vocational education and training at upper secondary school level has been in place since 2009, and the plan is to continue with this through 2013. In 2012 this will comprise about 5,000 full-year equivalent places. Some of this will be reserved for the education initiative for unemployed young people between the ages of 20 and 24. The Government is also carrying out an apprenticeship training initiative in adult education, equivalent to about 5,900 full-year equivalent places from 2011 to 2014. The target group for the apprenticeship programmes for adults also includes people with intellectual impairment. The adult vocational initiative and apprenticeship programmes for adults are in addition to the regular adult secondary education provided by the municipalities.

*Skills
provision and
resource
utilisation*
Guideline 8

To facilitate and strengthen cooperation in skills provision, the Government in 2010 assigned stakeholders responsible for regional growth in each county with establishing skills platforms for the coordination of skills provision and education planning in the short and long run. In 2010 the Government also gave five public authorities instructions to cooperate with the aim of increasing coordination of skills provision at the national level. The aim of the task is to improve the conditions that enable private and public bodies to get access to sought-after skills, and thus enhance competitiveness and contribute to sustainable national and regional growth. It should contribute to the creation of better bases for planning and resource utilisation with respect to skills provision initiatives. The decisions are part of the Government's ambition to strengthen the coordination of regional growth policy, labour market policy and education policy.

*Resource
allocation
universities
and colleges*
Guideline 9

A number of reforms have also been initiated within higher education and research. In the Government's opinion, it is important that compensation systems in both research and undergraduate education foster quality to a greater extent than they do today. Starting in 2013, higher education institutions will to a large extent be allocated resources on the basis of qualitative evaluations of education programmes' results. The quality-based resource allocation will come to SEK 295 million when it is fully implemented in 2015. To improve the quality of education in the humanities and social sciences the Government allocated additional resources in the Budget Bill for 2012. This will bring an additional SEK 800 million to the humanities and social sciences in 2013, compared with 2011.

*Connected
to the labour
market*
Guidelines 7-8

To prepare students for a future work life, higher education institutions should work on fostering the tie between education and the labour market. There is a lack of overview of how the higher education institutions work to link education programmes to the labour market, both in terms of scope and which methods are most effective. In the appropriations directive for 2012 the Swedish National Agency for Higher Education was assigned the task of

surveying the work carried out by the higher education institutions in the area of linking higher education to the labour market. The assignment will be presented at the latest on 1 December 2012.

*Quality in
higher
education and
research*
Guideline 9

To achieve higher quality in higher education and research it is, according to the Government's opinion, necessary to increase the concentration of competence by profiling the higher education institutions and improving cooperation amongst them. In this way education and research environments will be enhanced, the competitiveness of higher education institutions will increase, vulnerability will decrease and resources will be used more efficiently.

Cooperation among the higher education institutions and with society at large will increase and bigger demands will be placed on the role of the higher education institutions in society. The ability to participate in the global competition for knowledge production and research excellence and top competencies will be decisive. The Government would like to see higher education institutions strengthen the links between education, research and innovation, and based on this perspective, that the institutions in their strategies develop forms for cooperation with different stakeholders in society.

To achieve the objective of a world-class higher education, the Government also thinks that the work on increasing the independence of higher education institutions should continue. The developments that have been initiated must, however, be combined with a well-functioning system for qualitative evaluation, and the state authorities' need for financial control, follow-up and financial responsibility must be met.

*Access to
education*

The interest in higher education continues to be big due to large cohorts of young people and the economic crisis. The Government is of the opinion, however, that the number of applicants will likely decline in coming years, as the size of the cohorts of young people decreases dramatically. Access to higher education will increase through the improved financial situation for students, as the student aid was raised in the autumn of 2011.

*Education for
people with
foreign
degrees*
Guideline 8

During the 2000s, opportunities to supplement foreign education degrees with education in Sweden increased. These education programmes have during the past years gone from being general to becoming more specifically targeted to different professional groups. In accordance with the Government's wishes, in 2010 several higher education institutions offered supplemental educations for lawyers, teachers, people who have completed medical and nursing schools, and people who have dental degrees, from other countries. SEK 51 million was allocated in 2012 for supplemental education for people with degrees from a foreign country.

4.3 An innovative and dynamic business sector with new and growing companies

Policy challenges

Trade in goods and services, companies' direct investments and cross-border labour mobility – elements that are included in the concept globalisation – are preconditions for economic prosperity in a small country like Sweden. Open markets with effective competition are the foundation for a robust and dynamic business sector and with it, increased employment. To benefit from the advantages of globalisation, the economy must also be able to constantly adapt to new conditions. An innovative and dynamic business sector with good adaptability is central to growth through increased productivity and employment. In a globalised world, Swedish competitiveness must be based on high knowledge content. It is the role of the Government to remedy any market failures in a manner that creates conditions that enable companies to develop product, service and process innovations.

In international comparisons of countries' innovative climates, Sweden has been at the forefront for many years. It is important, however, for Sweden to continue to build on its strengths: its competitive industrial base, the growing service sector and its well-educated labour force. Swedish companies can best compete on the basis of knowledge and quality. Private and public infrastructure, education, research and innovation initiatives ensure that Swedish firms will be able to compete in world markets. To improve conditions for good economic growth, measures that help increase employment, investment and productivity are crucial. Economic growth must also be compatible with a good environment and health; i.e. it must be sustainable.

Policy direction and reform ambitions

Research, development and innovation are core components of the growth policy. In a globalised world, Sweden's competitiveness must build primarily on high knowledge content in our export products. It is the Government's intention that Sweden's position as a research nation shall be strengthened, thus strengthening Swedish competitiveness and the knowledge supply. The research shall be of a high international quality.

To make use of the advantages of globalisation, increase productivity and stimulate innovation, it is important to promote good competition and entrepreneurial activities. Unnecessary obstacles for companies that want to be established in Sweden will be removed. Competition will thereby increase, leading to lower prices and a larger and more varied selection of goods and services. Increased international competition helps make Swedish firms more productive by giving them access to new ideas and new production methods. Through an active and a proactive role in the EU, the Government is working for the development and improvement of the internal market for the benefit of

citizens, consumers and business and for safeguarding free trade in the formulation of the common trade policy.

*R&D and
innovation*
Guideline 4

In 2008, the Government presented a research and innovation bill for the period 2009–2012. According to the proposals in the bill, state funding for R&D will gradually rise by up to SEK 5 billion up to 2012. This is the largest funding increase ever made in any research bill in Sweden. In the bill, the Government launched a new element in the system for funding research: strategic investments. These investments are made in the strategically important areas of medicine, technology and sustainable development. The Government also presented measures to promote the use and commercialisation of research results through such measures as increased availability of public venture capital and more resources for the activities of higher education institutions in the form of innovation offices.

The Government intends to present a new research and innovation bill in the autumn of 2012. The work on the bill has begun. The bill will be aimed at improving research quality to create the right conditions for research of a high international standard and increasing the innovative ability of Swedish society. In 2011, the Government also initiated the work on an innovation strategy intended to improve the climate for innovations in Swedish society.

Through proposals in the 2012 Budget Bill, three taxation measures have been implemented that will help stimulate research and development: 1) The right of companies to deduct research and development expenses that affect the company's core business is extended, 2) expert taxation is simplified, which will facilitate the recruitment of leading international experts and researchers to Sweden, 3) private individuals get tax credits for monetary gifts to non-profit activities, such as promoting scientific research.

To increase the amount of commercialised research results, the higher learning institutions and their holding companies will receive special funding in 2012 for the construction of "idea banks" with research results that researchers for some reason are not commercialising. The construction of idea banks will also include the implementation of a structure and a process for finding potential cooperative partners and commercialising such research results.

The government intends to restructure the state-owned venture capital institutions for SME financing to increase efficiency and clarity. The reasons for this include strengthening the potential for commercialisation of knowledge-intensive ideas at the early stages. The spring bill amendments include a proposal for an approach to the establishment of a joint organisation, including the operations included in ALMI Företagspartner AB⁴ and

⁴ ALMI Företagspartner AB is owned by the state together with the regions and consists of a parent company and 19 subsidiaries which are composed of 17 regional subsidiaries, ALMI

Innovationsbron AB⁵, as announced in the 2012 Budget Bill. The Government will also review the possibility of coordinating its initiatives to provide venture capital to companies in growth stages and it will return with a proposal for this in the 2013 Budget Bill.

Innovation
Guideline 4

For Sweden to continue to offer a world-class innovation climate and make that climate even better, the Government has begun drawing up a national innovation strategy with a view to 2020. In 2010 the Government presented a strategy for more service innovation as a first step in drawing up a national innovation strategy. The innovation strategy provides the direction of work in four priority areas:

- Appropriate and effective framework for service innovation,
- Knowledge and skills for service innovation,
- Digital infrastructure for service innovation, and
- Internationalisation of service innovation.

With the coming national innovation strategy as the starting point and a number of current processes that are related to it in different ways, initiatives in a number of areas will focus on increasing the leverage from investment in R&D, and at the same time help remove obstacles for innovative businesses to develop and grow. Regional growth provides an important perspective in a national innovation strategy. Increased and effective cooperation between the different levels – EU, national and regional – and between the three parts of the knowledge triangle – education, research and innovation – are important and help reinforce the whole.

*Competition
and state aid*
Guideline 6

Competition fills an important function in stimulating innovation and efficiency within companies. Efficient competition makes the business community more dynamic with an increasing number of competitive companies that can better adapt to new conditions. For the buyers, competition generates higher quality, lower prices and more freedom of choice. Beneficial effects on the national economy in the form of increased growth and new jobs arise when more innovative companies develop new products and services. Continued efficient supervision is of great significance in creating conditions for open and well-functioning markets that generate these beneficial effects. Several parts of the Swedish economy have been liberalised and thus opened up to new actors, not least in the welfare area. The newly implemented reforms on freedom of choice have led to increased choice and a greater number of actors. The areas of health and medical care and elderly care constitute a major share of the Swedish economy. There is therefore great

Invest AB and IFS Rådgivning AB, which concentrates on supporting entrepreneurs with a foreign background.

⁵ Innovationsbron AB is a state-owned company for the promotion of the commercialisation of knowledge-intensive business ideas across Sweden. The company invests seed capital in companies with significant market potential and develops, together with local and regional partners, a network of business incubators.

potential for significant economic gains within this sector, such as through the Government's current reforms and initiatives. The same ground rules must apply to the private and public sectors. Rules to limit state authorities' commercial activities in the market were therefore introduced recently into the Competition Act. As a rule, state authorities should not conduct sales activities on the market, and in principle, the state should not own companies that operate in commercial markets with viable competition – provided that the company does not have any particular social remit that is difficult to fulfil in any other way. As for state aid to businesses, it should be limited to measures primarily intended to counteract market failure. The State Aid Inquiry was appointed in 2010 to review the Swedish implementing regulations regarding the EU's rules on state aid, and the report was presented to the Government in October 2011. The inquiry has been referred for consideration until 1 March 2012, and it is currently subject to internal consultation by the Government Offices of Sweden.

Conditions for entrepreneurial activity and simplification efforts

Guideline 6

Good business conditions are crucial for economic growth. To achieve a high level of private investment, Sweden must have a good business climate. An important part of improving the business climate is the work on making it simpler for companies to start and run a business and reducing their administrative costs. The Government's efforts to ensure a robust business sector and simplify companies' administrative burden will therefore continue. The simplification effort for the period 2011–2014 is, among other things, focused on: reduced administrative costs, less and simplified disclosures of data for companies, a widening of the scope to encompass municipalities and county administrative boards and an intensification of the work on impact assessments.⁶

The work within the EU to make it simpler for companies is important in order to ensure an efficient internal market (see the section below on the internal market), but it is also a precondition for achieving success in the work to raise the quality of EU legislation and for the national simplification work. It is therefore a priority for Sweden to act as a driver of the simplification work within the EU. Issues that are particularly highlighted by Sweden is the general principle that new rules should always be developed with smaller companies in mind (the principle *Think Small First*), that any proposals for new legislation

⁶ Decision of 30 June 2011 to the Swedish Agency for Growth Policy Analysis regarding the establishment of calculation support for the impact assessment work (N2011/4209/ENT)
 Decision of 21 June 2011 to the county administrative boards regarding the implementation of initiatives intended to simplify for companies at the county level (N2011/4051/ENT)
 Decision of 21 June 2011 to the Swedish Agency for Economic and Regional Growth regarding the implementation of initiatives intended to simplify for companies at the municipal level (N2011/4050/ENT)
 Decision of 20 October 2011 to 13 authorities regarding the implementation of a future simplified and reduced requirement to disclose data (N2011/5884/ENT)
 Decision of 25 August 2011 on an amending instruction to the Swedish Better Regulation Council (dir. 2011:71) (N2011/4209/ENT)

should be followed by an impact assessment that highlights the effects and costs of the proposal, and that the work on reducing the burden and bureaucracy caused by EU legislation should continue without reducing any occupational health and safety requirements applicable at the national level.

*Corporate
taxation*
Guideline 6

The continuous work with structural change in the Swedish economy should be addressed with better tax terms for entrepreneurial activities and investments in Sweden. It must be possible for existing firms to expand, foreign firms to get established and new firms to be founded. A strategic part of the work is carried out through the Corporate Tax Committee (dir. 2011:1). The Committee has received broad instructions and shall, until the end of 2013, present three reports. As a first step, the Committee recently presented a partial report on tax incentives for venture capital (SOU 2012:3). The proposals have been referred for consideration and the Government continues its work on an in-depth analysis of the possibilities for further strengthening the incentives, and it will return to the matter in the 2013 Budget Bill. As a second step, the committee shall investigate the possibility of introducing tax incentives for research and development. A report on this issue shall be presented no later than 1 October 2012.

The Committees main instruction refers to the possibilities of reducing the taxes on venture capital in the corporate sector and making the terms more similar between investing own capital and taking loans. The background for this instruction is the increasing tax competition in the area of corporate taxation, which has caused a number of countries to lower or plan to lower their corporate tax rates. Global tax competition leads to an increase in tax planning, where companies with international operations and other institutions attempt to make use of existing asymmetries between the tax systems in different countries.

The committee's instruction also includes preparing proposals to widen the tax base, to make it possible to lower the corporate tax rate paid by the corporate sector. Changes should be made in a manner that leads to beneficial tax terms for entrepreneurial activities. Investments and employment should be favoured and the companies' financial resistance be strengthened. Swedish corporate taxes should remain competitive and generate stable tax income. The result of the inquiry will be reported no later than 1 November 2013. In addition, the Government is trying to put in place an effective system of state funding for companies at early stages, and it recently reviewed the effectiveness and remit of state-owned venture capital providers. A number of changes in this area that aim to strengthen the efforts in early stages and increase efficiency and customer benefits were announced in the 2012 Budget Bill, and they are currently being implemented.

*Regional
competitive-*

The national strategy for regional competitiveness, entrepreneurship, and employment 2007-2013, and the ministry communication "Strategic

*ness,
entrepreneur-
ship and
employment*
Guideline 6

development efforts for regional competitiveness, entrepreneurship and employment” (Skr. 2009/10:221) forms the basis for a coordinated regional growth process in Sweden (see Section 6). The strategy constitutes an important tool for pursuing the EU's shared goals for growth and employment and overall national goals and is the foundation for the Regional Development Programmes and the Structural Fund Programmes, which are important instruments in achieving the targets in the Europe 2020 Strategy. Experience from this work and the guidelines in the Europe 2020 Strategy will constitute the foundation for the Government's continued work on regional growth.

*Access to
services*
**Guidelines 4,
6**

Measures aimed at the promoting availability of services are important for creating attractive environments for both the citizens and the business sector across the country. In January 2011 the Government approved the distribution of SEK 80 million at the regional level for the period 2011–2014 that can be used for initiatives aimed at strengthening, among other things, shops and petrol stations of strategic importance in sparsely populated and rural areas and for developing new innovative service solutions in these areas. These funds are in addition to the approximately SEK 43 million the counties themselves prioritise within the framework of the appropriation "Regional growth measures". In 2009, there was an additional appropriation of about SEK 10 million from earlier government decisions for measures concerning commercial services. Conditions in rural areas will be further improved during the Government's term of office through the Rural Development Programme.

*Regional
innovation
initiatives*
**Guidelines 4,
6, 7**

ALMI Företagspartner AB (ALMI) is an important actor for financing and business advice to Swedish SMEs. To improve the innovation climate further, an initiative will be applied to ALMI's advisory and mentoring operations, innovation financing, and additional efforts to make it simpler for companies and special efforts related to export advice to SMEs. Increased entrepreneurship and an improved capacity for innovation will contribute to economic renewal. During 2011–2014, the Government will spend SEK 100 million annually on women's entrepreneurship with Women's Enterprise Ambassadors, business and innovation development, initiatives at universities and higher education institutions, the strengthening of boards, advice on micro-financing, innovation funding, mentorship and ownership changes. In addition, there is further investment in incubators, in the form of a strengthening of Innovationsbron AB. The initiative to provide entrepreneurship advice and mentorship, particularly to immigrants, will be strengthened. Measures promoting innovation such as service innovation, young innovators and business incubators will be strengthened. The Government will also fund the implementation of a national action plan for cultural and creative industries in order to create a good climate for entrepreneurs and potential and existing business owners in cultural and creative enterprises to develop their business ideas and their entrepreneurial skills. These measures add up to some SEK 400 million per year for the period 2011–2014. In addition, SEK 2 billion was allocated in 2010 for the

"Inlandsinnovation" programme, a special initiative to strengthen the capacity for development in the interior of northern Sweden. A strategic and coordinated effort to promote the tourism industry has also begun. There are several public authorities working on this together and a national development centre for the tourism industry was inaugurated in the autumn of 2010. The Government will also invest SEK 60 million in 2012–2014 to develop attractive tourist destinations in Sweden.

*The digital
agenda*
Guideline 4

To meet the existing international and national challenges and take advantage of opportunities offered by the digitalisation of society, a cohesive strategy has been developed, "IT in the service of people – a digital agenda for Sweden" (Dnr 2011/342/ITP). The digital agenda is a tool for the Government's efforts and measures in the IT area, aiming to make Sweden the best in the world at making use of opportunities associated with digitalisation. The digital agenda presents the strategic challenges and planned efforts within a large number of areas, among them digital inclusion, e-services, IT in healthcare and information security.

In November 2009, the Government decided on a broadband strategy for Sweden. The Government's broadband strategy presents the broadband targets: In 2020, 90 per cent of all households and businesses should have access to broadband of at least 100 Mbit/s. A partial target, that 40 per cent of all households and businesses should have access to broadband of at least 100 Mbit/s in 2015, has already been met. To stimulate the construction of broadband in rural and sparsely populated areas, the Government has earmarked almost SEK 500 million for the period 2012–2014.

In 2012, the Government further decided on new guidelines for Internet speed. The aim is that as many as possible should have access to at least 1 Mbit/s. The implementation of the telecom package with changed EU rules for the electronic communications sector means better functioning markets and competition that is sustainable in the long term. A bill was presented to the Swedish Parliament, Riksdag, on 17 March 2011. The new rules entered into force on 1 July 2011, and changes in the Electronic Communications Act (LEK) came into force on 1 July 2011. The provisions include increased requirements that operators shall be clear and inform their customers of any limitations to the service. Other provisions intended to protect consumers will be introduced, including a requirement on the longest allowable minimum term for a contract, limited contract terms, and accessibility for people with special needs. The Swedish Post and Telecom Authority (PTS) will be given additional powers to improve competition in the market and render the authority's work more efficient. The legislation will be modernised based on the technological developments in the area, in that the provisions are made more technology neutral. There will be changes in the use of the important radio frequencies. Steps will be taken to liberalise these, which will make them more governed by the market.

In May 2010, the Riksdag approved a more modern and appropriate legislation for managing radio frequencies in order to handle technological and market developments.

All of these efforts are intended to help Sweden meet the targets defined in the Commission's flagship initiative within the Europe 2020 Strategy: "A digital agenda for Europe"⁷ and the ambition of realising a digital internal market by 2015.

The internal market

Guideline 6

At the meetings of the Council of the European Union in October and December 2011, various measures on the EU's internal market were highlighted as a central element of the work to promote growth. In the conclusions from the Council meeting in March 2012, focus was on the importance of governance, in the form of implementation and application of adopted legislation, particularly within the framework of the Services Directive. The Services Directive has been successfully implemented in Sweden. The implementation was made possible through extensive efforts, involving a large number of ministries and authorities at the regional and municipal levels. The Services Directive also led to the establishment of a national web-based point of single contact. The Swedish point of single contact is intended to make the administration of cross-border services easier for service companies.⁸ In the Commission report "Europe can do better," the point of single contact was highlighted as an example of good implementation of the Services Directive.⁹ In the Council of the European Union's conclusions from March 2012, important measures for the creation of a digital internal market were also emphasised. At the national level, the Government also takes a comprehensive grip intended to give Sweden Europe's most attractive conditions for e-commerce in 2015.

A well-functioning market that benefits citizens and companies requires competition on equal terms and predictable rules and regulations. Once the rules and regulations have been established at the EU level, they should be nationally transposed and applied in a similar manner in all member states for the internal market to function optimally. To create good conditions for growth, rules and regulations must be properly balanced with regard to scope and content at the EU and national levels alike. A simplification of rules and regulations and a timely and correct implementation of EU directives require continuous focus, and the Government Offices of Sweden work continuously on these matters.

⁷ KOM(2010) 245 final

⁸ www.verksamt.se/eugo

⁹ Europe can do better, Report on best practice in Member States to implement EU legislation in the least burdensome way, European Commission, Secretariat-General, High Level Group of Independent Stakeholders on Administrative Burdens

The Government prioritises the work to improve implementation of EU directives and shares the analysis that additional tools may be required to support improved implementation and application of the internal market rules, according to the reasoning in the Monti report.

Well-functioning transports are of great importance for the provision of long-term sustainable transport for business competitiveness and for the investment climate. The Government decided in March 2010 on an intermodal national plan comprising investments of nearly SEK 500 billion over the period 2010–2021. Thereafter, the Government approved additional funds to the transport infrastructure: SEK 800 million in 2011, and SEK 5 billion in 2012 and 2013. The intention is to increase investments in operation and maintenance of, as well as reinvestments in and improvements to, the road and railway systems. During its term of office, the Government will make proposals for infrastructure decisions that aim to safeguard future requirements for transport system measures.

4.4 Improving the environment and climate for sustainable growth

Policy challenges

Climate change is the greatest challenge of our time and requires global solutions. The Government's handling of the environmental targets, the climate challenge and the economic growth and business sector policy aims to create long-term welfare, an improved environmental situation, new jobs and innovations. Through this development into a green economy with an increasing service sector and growing companies within the environmental technology sector, we reduce our national emissions and contribute to reducing emissions globally through exports. As a rich, industrialised and high-tech country, Sweden shall move towards a greener economy in sync with the Earth's climate and environmental conditions, using nature without using it up. Further initiatives are needed to reduce greenhouse gas emissions in a cost-effective way. Environmental, climate and energy challenges provide an impetus for the development of technology, goods and services in all sectors. The business sector must be provided with a basis for making the adjustments that will enable it to meet environmental and climate requirements. At the same time, the conditions needed to enable the business sector to take better advantage of the growth potential of a growing global demand for green and resource-efficient solutions should be improved.

Energy policy should create conditions for efficient and sustainable energy use and a cost-efficient Swedish energy supply with low negative impact on health, environment and climate and facilitate the transition into an ecologically tenacious society, thereby promoting good financial and social development throughout Sweden.

With the purpose of reviewing how Sweden's efforts compare to those of other member states, Statistics Sweden has been instructed to analyse the situation based on EUROSTAT's 2011 report on sustainability indicators. Regarding the key indicators, the development in Sweden is generally good and better than the EU average, according to Statistic Sweden's analysis.

Policy direction and reform ambitions

Climate change is a global challenge that requires a global response. Sweden is and shall be a leading country for a good environment and sustainable development, both nationally and internationally. The UN has agreed that the global increase in temperature must not exceed two degrees, but the commitments made so far are hardly sufficient to reduce emissions in a satisfactory manner.

Sweden shall display leadership through an ambitious climate and energy policy with highly set climate targets and cost-efficient measures, and have a forward-looking and cost-effective climate and energy policy that aims to reduce greenhouse gas emissions both nationally and internationally. The national target is that emissions in Sweden should be reduced by 40 per cent by 2020, compared to 1990. The Riksdag has, on the basis of a proposal from the government, decided that the proportion of renewable energy for 2020 should be at least 50 per cent of the total energy consumption. The target for 2020 shall also be viewed in the light of the Government's long-term ambition that Sweden in 2030 shall have a vehicle fleet that is independent from fossil-fuels. At the same time, the proportion of renewable energy in the transport sector should amount to at least 10 per cent by 2020. The Riksdag also decided to set a target of a 20 per cent more efficient energy use by 2020. The long-term vision is that Sweden should not have any net greenhouse gas emissions into the atmosphere by 2050. In addition, the Government has approved the Government bill *Nuclear power – conditions for a generation change* (2009/10:172). Within the framework of no more than ten reactors, new constructions are allowed on the existing locations.

One of the instructions to the Commission on the Future of Sweden is to paint a scenario of how Sweden, with sustainable growth, can develop into a green economy.

Climate **Guideline 5**

To meet the national climate target, existing policy instruments have been supplemented with economic tax policy instruments. The special tax memorandum presented in conjunction with the submission of the 2012 Spring Fiscal Policy Bill to the Riksdag includes an extensive climate and energy package. Among other things, it contributes to stable conditions for actors producing and trading in biofuel. Taxation will be regulated by law and not through decisions on dispensation from the Government. For low-blend biofuels, a tax will be introduced to avoid the risk of overcompensation under the EU state aid rules. At the same time, the Government considers that

biofuel cannot stand alone just yet. The intention is therefore to introduce a quota system from 2014, aiming at a blend of 10 per cent ethanol per volume and 7 per cent FAME per volume in diesel, to ensure low blend volumes of biofuel in the market. It is further important to encourage the introduction of future second generation biofuels. Hydrogenated vegetable and animal fats and oils, "HVO," will therefore be exempt from tax in blends of up to 15 per cent per volume in diesel in 2013. E85 and other high-blend biofuels will continue to be exempt from taxes in 2013.

The Government also intends to carry out reductions at an early date in full compliance with the measures decided in the EU. The Government has instructed the Swedish Environmental Protection Agency to submit a proposal on a Swedish roadmap for reaching the vision that Sweden shall not have any net greenhouse gas emissions in 2050. Sweden will also, in conformity with the national target, implement measures for emissions reductions in other countries, such as green investments in developing countries or initiatives in other EU countries. The Government considers that the national climate target largely will be met through measures that have already been decided or announced. However, this assumes a continued implementation of climate investments in other countries. The Government has instructed the Swedish Meteorological and Hydrological Institute (SMHI) to establish a knowledge centre for climate adaptations. The centre shall collect, compile and make available knowledge on climate adaptations developed regionally, nationally and internationally. The knowledge centre on climate adaptation shall function as a node where knowledge is collected, developed and disseminated to various parts of society.

*Renewable
energy*
Guideline 5

Sweden's commitment for its share of renewable energy under the EU directive on renewable energy means an increase to 49 per cent by 2020. The national target for renewable energy of relevance to the Europe 2020 Strategy has been set to at least 50 per cent of the total energy consumption by 2020. Under Sweden's action plan for renewable energy presented to the Commission at the end of June 2010, it is expected that Sweden, with the policy instruments now in place, will meet the national target for renewable energy. General economic policy instruments such as carbon dioxide taxes, international emissions trading and certificates for renewable electricity are a key component of the long-term energy policy. The electricity certificate system is the main policy instrument used to increase the production of renewable electricity. In the spring of 2010, the Riksdag decided on a higher target for the electricity certificate system. The increase means that 25 TWh of new renewable electricity production will be realised by 2020 compared with the 2002 level. The expansion of wind power is one of the most important components in meeting the target for a higher proportion of renewable energy. In December 2011, the Riksdag decided to expand the electricity certificate system. On 1 January 2012 a common electricity certificate market was opened for Sweden and Norway.

A vehicle fleet that is independent of fossil fuels

Guideline 5

To contribute to the Swedish target of at least 10 per cent of renewable energy in the transport sector by 2020 and the target regarding a vehicle fleet that is independent of fossil fuels by 2030, the green car definition will be made more stringent from 1 January 2013, so that the five-year exemption from vehicle tax will always go to the most environmentally friendly alternatives. In addition, a demonstration programme for electric cars and plug-in hybrids in 2011–2015 and a new super-green car premium from 2012 for the cars that emit the least carbon dioxide was put up. The temporary reduction in the taxable benefit for some green cars is important in advancing the newest and best technology for environmentally sound vehicles. The time-limited rebate for cars equipped with the most recent and best technology for powering with electricity or gas other than liquefied petroleum gas was therefore extended until the end of 2013, in line with a proposal in the Government's 2012 Budget Bill.

Energy efficiency

Guidelines 5, 6

In addition, the Riksdag has decided on a target for energy efficiency, which is expressed as an economy-wide target to reduce energy intensity by 20 per cent between 2008 and 2020. The target concerns energy input relative to GDP. To meet the target, mostly general economic policy instruments (such as energy taxes, carbon dioxide taxes and emissions trading) and measures are employed. These are supplemented by other measures aiming to close information and knowledge gaps. In the 2010 Budget Bill, the Government allocated SEK 575 million for the period 2010–2012 for further energy efficiency initiatives at the local and regional levels and for initiatives for sustainable energy use. In the 2012 Budget Bill, these measures were extended, and the Government earmarked SEK 440 million for 2013–2014. The main measures are support for municipal energy and climate advisory services for households and small businesses and work to encourage early market introduction of systems solutions for making the housing and service sectors more energy efficient. In the 2010 Budget Bill, the Government allocated a further SEK 300 million annually to finance a five-year programme for energy efficiency for the period 2010–2014. The programme includes an expansion of regional and local energy and climate work, initiatives for information, consultation, support for technology procurement, and market introduction of energy efficient technology, with particular focus on SMEs.

Smart grids

Guidelines 4, 5

The Government considers that the knowledge related to smart grids should increase among the affected actors and society in general. The cooperation between different actors for the development of smart grids should be strengthened. A knowledge platform with a related independent coordination council should be established to keep and spread relevant knowledge on research, development and demonstrations of smart grids to all stakeholders. For this purpose, an appropriation of SEK 10 million per year during 2012–2014 is proposed.

In the 2012 Budget Bill, the Government allocated funds for increased

*Energy
technology*
**Guidelines 4,
5**

investments in commercialisation, development and demonstrations within the energy area, to enable long-term initiatives such as large demonstration facilities and reinforced Swedish participation in the European Strategic Energy Technology Plan (the SET-plan). For this purpose, the Government estimates that it will allocate SEK 82 million in 2013, SEK 82 million in 2014 and SEK 52 million in 2015 to energy research. Measures for research, development and demonstrations of new technology are an important tool for meeting the Government's climate and energy targets. The Government has carried out a special initiative for commercialising new energy technology. The initiative, which primarily concerned second generation biofuel, came to SEK 875 million for the period 2009–2011. To strengthen the regional work on reducing the climate impact and on the transition to alternative energy sources, the Government designated three counties as pilots for green development. The intention is to develop the regional climate and energy work in order to promote a green economy through new jobs, growth and increased competition. In July 2010, the Government decided on an agenda "IT for a greener administration" with the objective of using environmentally sound IT to reduce the state's environmental burden. There will be a checkpoint in 2015, when actual progress will be evaluated with reference to the energy and climate policy targets for 2020, and policy instruments may be adjusted as a result. The Government does not believe that the carbon dioxide tax will need to be raised during its current term of office any more than is required by decisions already taken and normal adjustment for inflation.

*Resource
efficiency*
**Guidelines 4,
5**

The global shortage of raw materials implies that there is a greater need for recycling and that the amount of waste and its content of dangerous substances should be minimised. The requirements for innovation and new technology will be strengthened. On 1 September 2011 the Government presented a national strategy for environmental technology. The strategy includes a SEK 400 million initiative in the area of environmental technology in the period 2011–2014 and aims to improve conditions for growth and export of new Swedish environmental technology solutions. The initiative involves short-term and long-term efforts – from research and innovation to exports. Through the strategy, the Government seeks to improve the conditions for making use of opportunities within Swedish environmental technology. The turnover in the sector increased by 59 per cent between 2003 and 2010. In conformity with the Europe 2020 Strategy's flagship initiative "A resource-efficient Europe", there are ongoing national efforts to develop a national innovation strategy and identify national initiatives promoting resource efficiency. The latter entails the surveying of potentially environmentally harmful subsidies and an assignment for the Swedish Environmental Protection Agency to survey ecosystem services and work on a mineral strategy and a strategy for bio-economy.

*Maritime
policy*

The aim of Sweden's maritime policy is to use the resources of the sea and coastal areas in a sustainable way to ensure that the ecosystems are maintained

Guideline 5 and restored while allowing industries that are linked to the sea to develop, grow and contribute to the strengthening of Sweden's competitiveness. An agency for marine and water management has been established to develop systemic thinking around marine and water issues, increase knowledge on the seas and strike a balance between different interests. Marine planning is an important tool for the Swedish Agency for Marine and Water Management.

Chemicals
Guideline 5 Hazardous chemicals and toxins need to be banished from our everyday lives and environment. The Swedish Chemicals Agency has the remit to develop an action plan for the identification, limitation and phasing out of hazardous chemicals to achieve a toxin-free everyday life. These efforts will be reinforced with SEK 100 million during the current term of office. The initiatives to improve the environment and the climate amounts to SEK 2.5 million for the period 2012–2014. In addition, the All Party Committee on Environmental Objectives has the remit to develop a strategy for a non-toxic environment. The results of the assignment shall be reported no later than 15 June 2012.

Land use
Guideline 5 The parliamentary composed All-Party Committee on Environmental Objectives¹⁰ has been instructed to develop a long-term strategy for sustainable use of land. The result of the assignment shall be reported in June 2013 and June 2014.

¹⁰ M 2010:04

5. Follow-up of 2011 country-specific recommendations and the national targets

In this chapter, we report on the overall measures the Government has taken and intends to take in order to live up to the country-specific recommendations in the first European semester, as well as the national targets for achieving the five headline targets of the Europe 2020 strategy. A more detailed description of the taken and planned measures is set out in chapters 2, 3 and 4.

5.1 Country-specific recommendations

The Council decision of 12 July 2011¹¹ recommends that Sweden:

- keep fiscal policy on a path that ensures that the medium-term objective continues to be met,
- take preventive action to deal with the macroeconomic risks associated with rising house prices and household indebtedness. A broad set of measures could be considered, such as reviews of the mortgage system, including the capital requirements of banks, rent regulation, property taxation and construction permits, and
- monitor and improve the labour market participation of young people and other vulnerable groups.

The Government welcomes the country-specific recommendations as an important part of the European semester for a strengthened economic coordination within the EU and an ambitious implementation of the Europe 2020 Strategy and the Stability and Growth Pact.

Recommendation 1 regarding fiscal policy

The Government shares the assessment in the recommendation that it is important to ensure that the surplus objective for the public finances is achieved. This applies not least in light of the increased uncertainty and the concerns regarding the ability of debt-ridden nations to manage significant public deficits and very large debts. These concerns have quickly spread across country borders, and this has also affected Sweden, as a small, open economy. Strong public finances with ample safety margins and a stable financial system are important conditions for limiting the effects of the financial unrest on the Swedish economy, employment and welfare.

¹¹ 2011/C 217/03

Thanks to its strong public finances, Sweden was able to implement some of the most forceful stimulus measures of all European countries to dampen the effects of the financial crisis on the Swedish economy. The measures limited the rise in unemployment while improving conditions for a speedy recovery. The general Government net lending is expected to come close to reaching equilibrium in 2012 and show a gradually increasing surplus in the next couple of years. According to the Government's assessment, the medium-term objective for the public finances will be met. At the same time, the consolidated gross debt will diminish as a proportion of GDP. Ensuring strong public finances has the highest priority in the economic policy (see also Section 3 and Sweden's Convergence Programme).

Recommendation 2 regarding rising house prices and household indebtedness

The Government shares the opinion that a preventive policy is important to counteract the macroeconomic risks associated with high household indebtedness. An important condition to counteract such risks is stability in the financial system. Sweden has a robust framework for ensuring stability in the financial system. This framework includes strong regulations for the financial sector, efficient supervisory structures, crisis management systems and a deposit-guarantee scheme.

Regarding the special measures mentioned in the second recommendation to Sweden, a relaxation of the rent regulations has been implemented through the amendments to the legislation on rents adopted in 2010, which entered into force on 1 January 2011. These measures, in addition to the new regulations on public housing companies, which also entered into force on 1 January 2011, will improve competition in the housing market.

In addition, the Government made suggestions in its Spring Fiscal Policy Bill for April 2102 to facilitate the renting out of privately-owned housing and to stimulate driving forces to build new housing. The Government intends to propose in the Budget Bill for 2013 a reduction in the property tax for rental units, lowering the property tax for new construction even further and raising the standard deduction for housing rentals.

To improve financial stability further, the Swedish Financial Supervisory Authority adopted a set of general guidelines limiting the size of loans collateralised by homes. This rule, referred to as the mortgage cap, means that new loans must not exceed 85 per cent of the market value of the home. The new rules came into force on 1 October 2010. The rules are intended to discourage banks and other credit institutions from using higher loan-to-value ratios as a means for competitiveness. Too high indebtedness makes the borrowers less prepared for fluctuations in the cost of properties and the economy as a whole.

The government has further initiated the work on developing a proposal on capital adequacy regulations for the bank, intended to improve their ability to withstand financial turbulence, etc. According to the Basel III accord, new capital adequacy regulations are proposed, with requirements on more and better capital in the credit institutions. Sweden has a large banking sector in proportion to its GDP. To safeguard financial stability and the tax payer's money, the Government considers that it must become possible for individual member states to legislate on higher capital adequacy requirements than the new international minimum requirements in the Basel III accord. A special inquiry (dir.2011.6), the Financial Crisis Inquiry, will further investigate how to set the fee from the previously established stability fund based on the risks taken by each bank. That way, higher costs will befall any banks that risk the stability of the system. The inquiry will prepare a comprehensive overview of the entire financial framework and suggest proposals on how it can be strengthened.

The work on improving the stability of the financial system is continuous. To create even better conditions for a well-functioning financial system, the appropriations to the Financial Supervisory Authority have been strengthened considerably in 2012. Section 3 contains a more detailed account of the Government's policy to strengthen the financial system. See also Sweden's Convergence Programme 2012, Section 2.3.

Recommendation 3 on measures intended to improve the labour market participation of young people and other vulnerable groups

The Government's top priority is to steer Sweden towards full employment through reduced exclusion. The Government shares the opinion expressed in the recommendation that the labour market participation of young people and other vulnerable groups with a weak foothold in the labour market should be improved.

The Government's policy is aimed at continuously monitoring and improving labour market conditions for groups with a weak foothold in the labour market. Young people, older people, the foreign-born, people with no more than a pre-upper secondary school education and people with disabilities that impair their capacity to work are worse off in the labour market than the population as a whole (see also sections 4.1 and 4.2).

Young people

A number of measures, which the Government accounted for in previous reform programmes, have been implemented within several areas in recent years, in order to improve the labour market situation for young people, particularly within education policy, labour market policy and fiscal policy.

Examples include the introduction of a special job guarantee for young people, lower social security contributions for young people and the simplification of

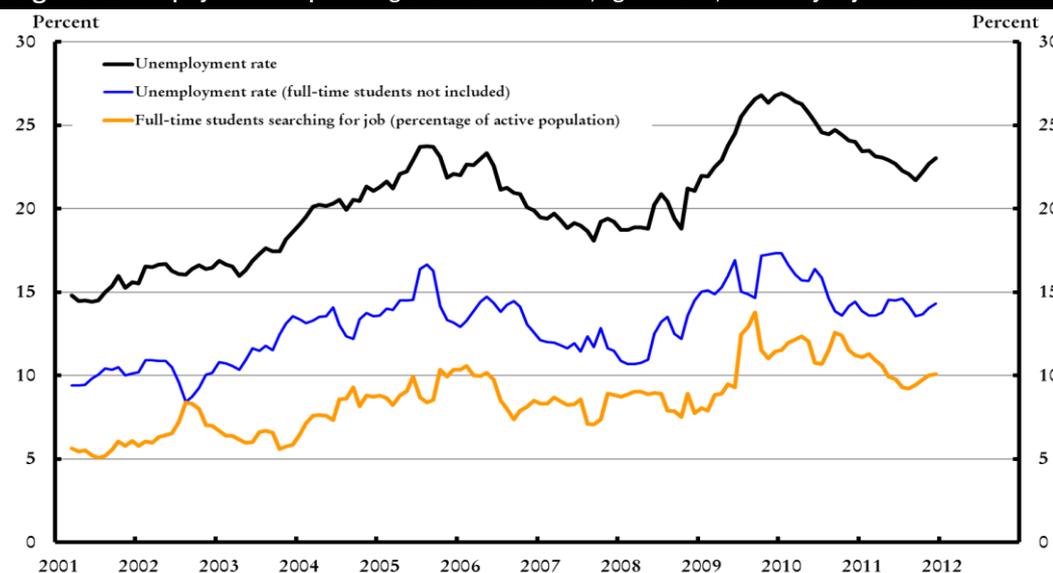
fixed-term employments. Several reforms were implemented within the education system, with the aim of improving academic achievement and increasing throughput.

Fact box: The labour market situation for young people

Unemployment among young people (aged 15–24) increased significantly during the financial crisis that began in 2008, and it still remains high, both compared to unemployment in the population as a whole and compared to pre-crisis levels. However, youth unemployment started to go down at the beginning of 2010. Young people as a group are sensitive to economic fluctuations and are hit hard when there is a recession, but they also benefit early on when the labour market recovers. Young peoples' periods of unemployment are often short, but the negative labour market related effects may be enduring for those who fail to get established on the labour market. This applies in particular to those who have not completed upper secondary school.

The unemployment rate for young people is higher than for the working-age population as a whole. In 2010, unemployment in the age group 15–24 amounted to approximately 25 per cent. In 2011, about 23 per cent of young people in the labour force were unemployed, which can be compared to approximately 5–6 per cent of adults aged 25–74. It is important to emphasise that full-time students who are looking for work also are included in the definition of unemployed people, and approximately 45 per cent of the young people who were unemployed in 2010 were full-time students looking for work. (Statistics Sweden, Labour Force Survey, 2011)

Figure 7 Unemployment as a percentage of the labour force, ages 15–24, seasonally adjusted data

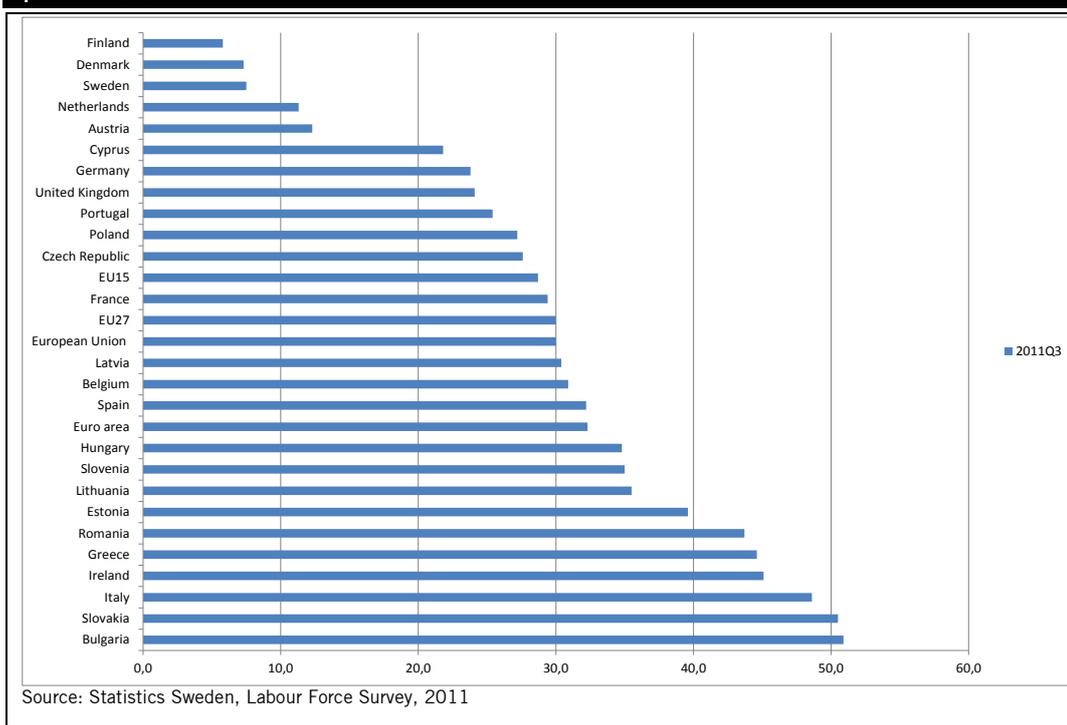


Källa: Statistiska Centralbyrån, Arbetskraftsundersökning 2011

Full-time students looking for work constitute 10 per cent of the workforce, which is close to half of all unemployed young people. A report from Statistics Sweden in 2009 showed that approximately 90 per cent of the unemployed full-time students aged 15–24 define themselves as students; 10 per cent define themselves as unemployed.

It is possible to get the same unemployment rate when many individuals are unemployed for a short period as when a few individuals are unemployed for a long period. Few young people in Sweden are unemployed for a long period. When reviewing comparable international data (Statistics Sweden, Labour Force Survey, 2011), for persons in long-term unemployment (more than 12 months without work), Sweden has the third best position after Finland and Denmark.

Figure 8 Long-term unemployment (>52 weeks) as a percentage of all unemployed aged 15–24, in the third quarter of 2011



The Government is of the opinion that it is extremely urgent to continue the work to prevent youth unemployment. In its 2012 Budget Bill, the Government therefore proposed a number of measures that can be expected to increase employment among young people. (See sections 4.1 and 4.2)

Major investments are proposed to improve the education system. A well-functioning education system that equips young people with adequate skills is probably the most effective way of improving the situation for young people in the labour market and thus counteracting high youth unemployment. Additional efforts in the regular education system are justified in order to meet the structural change and deteriorating labour market in coming years. Against this background, the number of places in adult vocational training programmes will be increased, and a proportion of those places will be earmarked for young people. Measures will also be taken to improve the quality of the job guarantee for young people.

The Government's overall objectives are to strengthen the work-first principle and that everyone who wants and are able to work shall have the opportunity to find work and the Swedish model constitutes a good foundation for a well-functioning labour market, and the Government is of the opinion that there are no reasons to make major changes to the employment law as such. However, certain elements of the employment law are designed in a manner that may render it more difficult for certain groups, such as young people, to get established in the labour market. Therefore, there are reasons to make minor adjustments to the existing rules to mitigate those problems. Against this

background, the Government has appointed a special inquiry instructed to investigate and propose solutions for a new form of employment with an educational content for young people – apprentice probation employment. The result of the inquiry shall be reported no later than 30 November 2012. In addition, the Swedish Government Offices are making preparations for the introduction of a special form of employment for upper secondary school apprentices.

In the 2012 Budget Bill, the Government proposed a reduction of VAT from 25 per cent to 12 per cent on restaurant and catering services. One of the overall objectives in the Government's economic policy is a lasting, higher employment rate. The restaurant and catering sector is relatively small-scale and labour intensive. The hotel and restaurant sector is also a sector with a relatively large proportion of young employees. Beneficial effects on the national economy in combination with employment effects justified the implementation of the proposal. The reduction entered into force on 1 January 2012.

The Government will appoint a special inquiry in 2012 tasked with proposing how the work with young people between 16 and 25 years of age who do not work or study can be developed and reinforced.

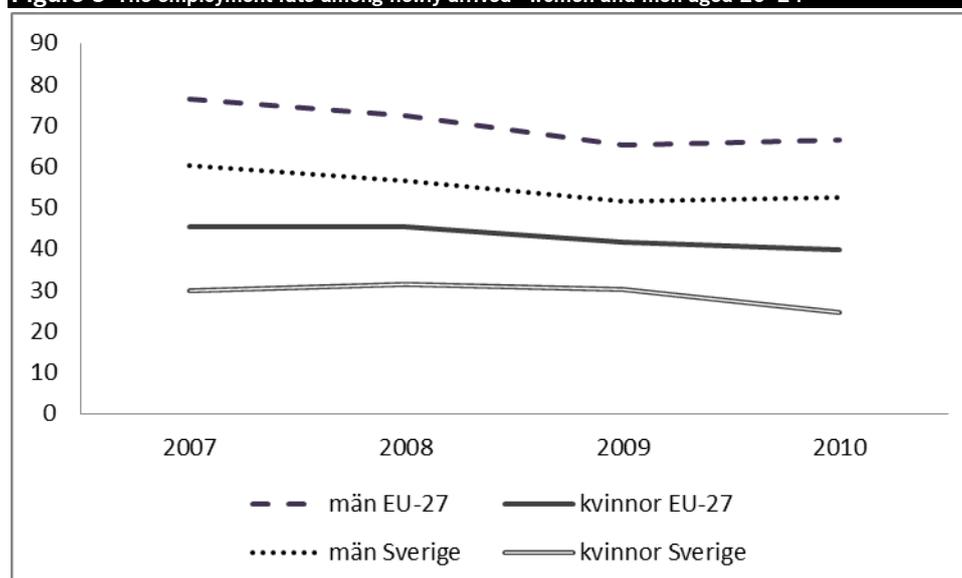
Foreign-born

Foreign-born have a lower rate of employment and higher unemployment than those born in Sweden. Just like young people, the foreign-born who have been in Sweden for a short period only are in the process of getting established on the labour market, and high employment costs (salary and social security contributions) can make companies less inclined to hire those who are foreign-born. There are major differences within the group of foreign-born, but for many of them, it takes a long time to get established on the labour market. This is a major loss for the individual and for society. Successful integration of immigrants and refugees is based on the possibility of providing for themselves through work and entrepreneurial activities. Against this background, the Government introduced a major reform in 2010 to speed up the establishment of newly arrived people. Among other things, the Introduction Reform means that the Swedish Public Employment Service is responsible for the coordination. The Government has also implemented several other measures with the aim of improving conditions on the labour market for the foreign-born, including the introduction of step-in jobs and new start jobs and an improved validation of the education and other professional skills of the foreign-born.

The Government also intends to introduce amendments to the introduction reform in 2012. Until now, the introduction compensation has been reduced in line with increasing work efforts within the newly arrived person's introduction plan. To reduce the margin effects on work within the introduction plan framework, introduction compensation should not be affected by the size of

income from work.

Figure 9 The employment rate among newly arrived* women and men aged 20–24



Source: Eurostat, EU Labour Force Survey; *newly arrived refers to non-EU nationals who have been residing in Sweden for five years or less

- - - men EU27 men Sweden ____ women EU27 ____ women Sweden

Today, there are major differences in employment among foreign-born women and men. One of the greatest integration and equality challenges currently is to make more foreign-born women self-supporting. The newly launched introduction reform has a clear gender equality focus, but more efforts are needed. The Government has therefore appointed an inquiry that has been tasked with proposing measures to increase participation in the workforce and speed up the labour market establishment of newly arrived foreign-born women and immigrant family members.

Older people

Older people at risk of losing their work face a difficult labour market situation and risk ending up in long-term unemployment or leaving the workforce. In addition, many leave the workforce relatively early by their own volition, for example due to contractual pensions. Not least in order to safeguard the public sector's long-term financing, it is important to encourage a late retirement from the labour market. One of the most important measures introduced by the Government to stimulate the supply of labour among older people is the higher in-work tax credit for people over 65. Income from work for those over 65 who are born in 1938 or later are only subject to a pension contribution – no other social security contributions are payable. For those born in 1937 or earlier, no social security contributions are payable at all. In addition, people aged 55–64 are eligible for new start jobs for up to ten years, which is twice as long as people aged 26–54. In addition, the qualification period for new start jobs have been temporarily shortened from 12 to 6 months for persons over 55, to improve the possibilities for the older unemployed to remain in the labour market. In April 2011, the Government instructed an inquiry chair to analyse the current pension-related age limits as well as the obstacles to and the

opportunities for a longer working life (see Section 4.1).

People with disabilities that impair their capacity to work

Everyone shall have the opportunity to participate in the working life based on their abilities and conditions, but many people with disabilities are far removed from the labour market. It is urgent to improve the labour market situation for disabled people with impaired work capacity. The Government has therefore appointed a special inquiry to review how the current labour market policy efforts for people with disabilities can contribute to making it more efficient for them to find and keep jobs. The scope of the inquiry will also include proposals for measures that may facilitate entry into the labour market for young people with disabilities. The inquiry shall present its report no later than 28 December 2012. A partial report shall be submitted no later than 2 May 2012.

5.2 Sweden's national targets

The national employment target

Sweden's national targets

To aim for an increase in the employment rate to well over 80 per cent for women and men aged 20–64 by 2020. The increase should primarily be achieved in groups with a weak foothold in the labour market, such as young people and people born abroad, and by trying to prevent long periods without work. The difference in the employment rate between women and men should be reduced by increasing women's employment rate.

EU targets

The target at the EU level is; aiming to raise to 75% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers and the better integration of legal migrants.

Description of the current situation

The employment rate is relatively high in Sweden compared with other EU countries. In 2010, the employment rate for the age group 20–64 was 78.7 per cent (women: 75.7 per cent, men: 81.7 per cent) compared with 68.6 per cent (women: 62.1 per cent, men: 81.7 per cent) in EU27. Data from national sources (which have other definitions) are available on a monthly basis. These show a recovery in 2011 for both women and men, only to slow down again in the beginning of 2012. The employment rate decreased in connection with the financial crisis, after a rate of over 80 per cent in 2007 and 2008.

The Government is of the opinion that the employment policy should be based on a thorough analysis of the main problems limiting sustainable employment and of the measures that are likely to best solve the problems, and an

evaluation of the success of the measures already implemented. The Government has therefore developed a framework for the employment policy. Its aim is that the policy will contribute to a sustainably higher welfare in the most effective way possible. Key tasks in the work on the framework are to discuss employment policy objectives and create indicators that will identify important problems in the labour market at an early date and can also be used to follow up the policy to see if it is having the intended effect. The indicators, together with the Government's opinion, will be published once a year in the Spring Fiscal Policy Bill.

The education target

Sweden's national targets

- *The percentage of 18–24-year-olds who have not completed upper secondary school and who are not studying is to be less than 10 per cent by 2020.*
- *The percentage of 30–34-year-olds who have at least a two-year post-secondary education is to be 40–45 per cent by 2020.*

EU targets

The EU level target is: improving education levels, in particular by aiming to reduce school drop-out rates to less than 10 per cent and by increasing the share of 30–34-year-olds having completed tertiary or equivalent education to at least 40 per cent.

Description of the current situation

According to Eurostat, the percentage of Swedish 18–24-year-olds who have not completed upper secondary school and who were not studying amounted to 10 per cent in 2010. But the statistics are now being reviewed. The average within the EU as a whole has gradually improved somewhat, but the percentage still amounted to 14 per cent in 2010. Men were consistently less educated than women, both in Sweden and in the EU.¹²

The percentage of 30–34-year-olds who have at least a two-year post-secondary education has increased in Sweden since 2002, and in 2010, it amounted to 46 per cent, which is above the EU benchmark. This measurement also includes studies other than tertiary education. This form of education has increased considerably in recent years, most notably in the areas of advanced vocational training programmes and higher vocational education. The percentage of people with post-secondary education has increased in Europe, as well, and amounted to 34 per cent in 2010.¹³

The Government carefully monitors the development regarding the fulfilment

¹²Eurostat

¹³Eurostat

of the targets for secondary education and post-secondary education.

The target for social inclusion

Sweden's national targets

Promoting social inclusion by reducing the percentage of women and men aged 20–64 who are not in the labour force (except full-time students), the long-term unemployed or those on long-term sick leave to well under 14 per cent by 2020.

EU targets

The target at the EU level is: promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion by 2012.

This proportion of the population is defined as the number of people at risk of poverty and exclusion according to three indicators:

- At risk of poverty: the number of people with incomes less than 60 per cent of the median income in the country, i.e. people with low economic standards;
- Material deprivation: the number of people with inadequate living standards, i.e. people who cannot afford a certain specified standard of living; and
- Jobless households: the number of people living in households with an employment rate of less than 20 per cent of the potential.

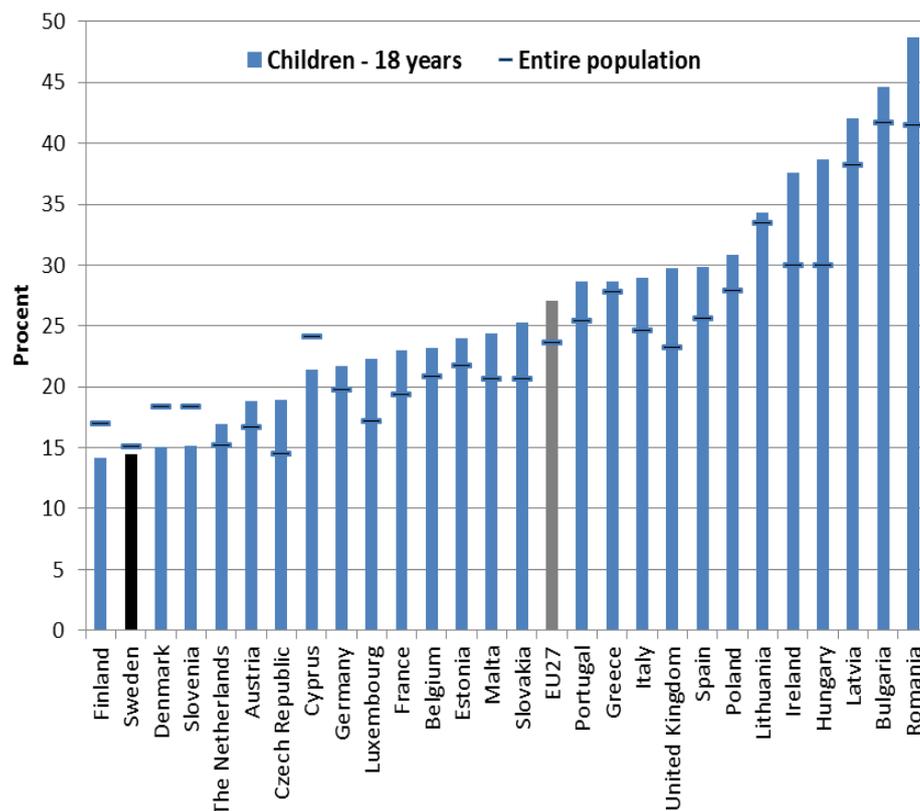
Description of the current situation

A follow-up of the national target shows that the percentage of people in the 20-64 age group who are not working and who are not, for various reasons, looking for work, or who are long-term unemployed or on long-term sick leave, are estimated to be around 13 per cent in 2011, which is a reduction by one percentage point compared with the previous year. Sweden's national target for increased social inclusion complements the national employment target by focusing on the groups that are excluded from the workforce or who are at risk of being excluded. As a weak foothold in the labour market is the main reason for financial vulnerability, an increase in employment leads to an increase in people able to support themselves and a reduction in the number of financially vulnerable people.

In addition, the Swedish welfare system covers the entire population and is aimed at creating equal opportunities for everyone and equality between women and men. It covers health and medical care, social welfare and financial security in case of sickness, disability or old age. It is a general system that redistributes and equalises economic resources and living conditions between people and over different stages in life. The Government's ambitions of reaching high distribution targets and well-functioning welfare systems

available to all make it important to nurture and develop the public welfare systems. The ambition should be to minimise the risk of people getting trapped in permanent poverty without the ability to support themselves.

Figure 10 Risk of poverty or social exclusion according to the Europe 2020 Strategy among children (aged 0-17) and the entire population in 2010

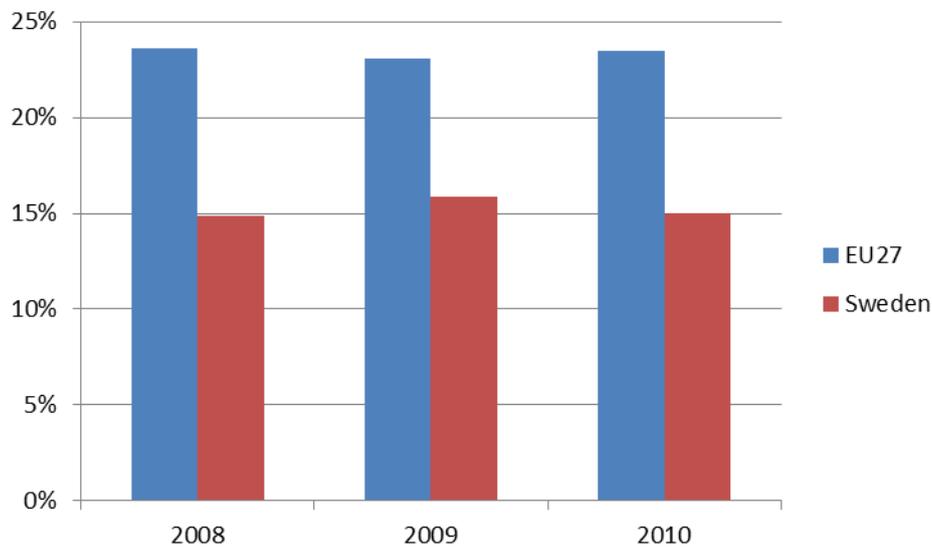


Source: EU-SILC update March 13th 2012

Note: Please note that the years refer to the EU-SILC survey for each year.

Compared to the rest of the EU, the risk of being affected by poverty or social exclusion is comparatively low in Sweden, according to the definition in the Europe 2020 Strategy.

Figure 11 The development of the risk of poverty or social exclusion according to the Europe 2020 Strategy in the EU and in Sweden



Source: EU-SILC update March 19th 2012

Note: Please note that the years refer to the EU-SILC survey for each year.

The images above show the development in the EU and in Sweden with regard to the risk of poverty or social exclusion according to the definition in the Europe 2020 Strategy.

Sweden has one of the most even income distributions in the world. Just like in many other countries, however, the differences in income have increased in the last 20 years. A starting point in the Government's economic policy is that growth should benefit everyone. Viewed over a longer time period, the real income level has increased in all income brackets. However, the economic standard in the group with the lowest income has grown significantly less than the median income of the population. An important contributing factor is that many individuals in the lower income brackets do not derive their primary income from work. Transfers and benefits have grown less than salaries over the last 15 years. Differences in income in society will be reduced if more people work and fewer people subsist on benefits. Accordingly, the best long-term distribution policy is to get more people into work. Since the Government took office in 2006, it has been implementing a policy to make it more profitable to work and to hire.

In its current term of office, the Government has also taken measures to improve the standard for groups who have a weak financial situation in spite of improved opportunities to provide for themselves.

Research and development targets

Sweden's national targets

Public and private investments in research and development are to come to approximately 4 per cent of GDP by 2020.

EU targets

The EU target is: improving the conditions for research and development by 2020, in particular with the aim of raising combined public and private investment levels in this sector to 3 per cent of GDP. The Commission will elaborate an indicator reflecting R&D and innovation intensity.

Description of the current situation

Every other year, Statistics Sweden conducts surveys regarding R&D in different social sectors. The surveys refer to uneven years, and the latest surveyed year was 2009, when the total R&D expenses amounted to 3.59 per cent.

In the regular R&D surveys of company and public sector R&D, Statistics Sweden also collects forecast information for R&D in even years. Using this method, Sweden's investments in R&D in 2010 amounted to 3.43 per cent of GDP¹⁴. Of this amount, approximately 70 per cent is estimated to be private sector investments and the rest comprises mostly public sector investments. Compared to the level in previous years, the estimation indicates an increase in public sector investment and a decrease in private sector investments.

In the autumn of 2012, the Government is expected to present a research and innovation bill for measures in the coming four-year period. The Government also plans to present an innovation strategy in the autumn, aimed at year 2020, of relevance to several different policy areas.

Climate and energy targets

Sweden's national targets

Sweden has already established national climate and energy targets (Government Bill 2008/09:162, Report 2008/09:MJU28, Written communication from the Government 2008/09:300, and Government Bill 2008/09:163, Report 2008/09:NU25, Written communication from the Government 2008/09:301). According to the EU's division of responsibilities, Sweden shall reduce its emission of greenhouse gases by 17 per cent compared to 2005, which corresponds to approximately 31 per cent compared with 1990. Sweden's national climate target is that emissions in Sweden should be 40 per

¹⁴ Statistics Sweden and OECD

cent lower in 2020 than in 1990. The target refers to those activities not covered by the emissions trading scheme in the EU (EU ETS). The target should be met through domestic measures aided by efforts in other countries, or through flexible mechanisms such as the Clean Development Mechanism (CDM).

Sweden has also undertaken to increase the share of renewable energy to 49 per cent by 2020. The national target has been set to at least 50 per cent of total energy use in 2020.

In addition, the Riksdag has decided on a target for energy efficiency, which is expressed as a 20 per cent reduction in energy intensity by 2020 compared with 2008.

EU targets

The EU target is: reducing greenhouse gas emissions by 20 per cent by 2020 compared with 1990 levels; increasing the share of renewables in final energy consumption to 20 per cent and; moving towards energy efficiency by 20 per cent. The EU is committed to taking a decision to move to a 30 per cent reduction of greenhouse gases by 2020 compared to 1990 levels as its conditional offer with a view to a global and comprehensive agreement for the period beyond 2012, provided that other developed countries commit themselves to comparable emission reductions and that developing countries make a reasonable contribution, based on their responsibilities and respective capabilities.

Description of the current situation

The emissions of greenhouse gases in EU27 were reduced by 17.4 per cent in 2009 compared with 1990, and the Commission's forecast for emissions in 2010 indicate that with current policy instruments (2011), the EU emissions in 2020 will be 20 per cent below the 1990 levels. If the climate and energy package is fully implemented, the EU is expected to reduce its emissions by 25 per cent to 2020, according to the Commission's estimates. Emissions in Sweden have been reduced since 1990. In 2010, emissions were 9 per cent lower than in 1990. The emissions reduction is larger in the part of the economy included in the national target, i.e. the non-trading sector. To the emissions reduction achieved in Sweden will be added the reductions that are creditable using flexible mechanisms. Until 2011, Sweden had acquired approximately 13 million tonnes of carbon dioxide equivalents. In the 2012 Budget Bill, the Government stated that the target for 2020 is within reach. However, emissions figures published in December 2011 for year 2011 showed an increase in emissions by 11 percentage points between 2009 and 2010. However, this increase can primarily be explained by the unusually cold weather, a forceful economic recovery and operational disturbances in nuclear power production.

It is the Government's assessment that the national climate target can largely

be met within the framework of the policy adopted and the measures announced. However, this assumes that climate investments are implemented in other countries. It is also the Government's assessment that the national targets for the percentage of renewable energy can be met within the framework for the policy adopted and the measures announced.

The forecast shows that the share of renewable energy compared to the total final energy consumption is expected to reach 50.2 per cent in 2020. Accordingly, Sweden is expected to get an excess of 1.2 percentage points in 2020, but the excess lies within an interval of uncertainty. In energy terms, this excess corresponds to approximately 5.5 TWh (470 ktoe).

With regard to energy efficiency, the Government describes in the 2012 Budget Bill that the energy intensity was reduced in the 2000s, but that the trend was broken in 2009 and 2010, when the energy intensity increased compared with the previous year. According to the latest long-term forecast from the Swedish Energy Agency, the energy intensity will be reduced further by 2020. At a checkpoint in 2015, a comprehensive analysis and evaluation will be conducted of the way to reach the energy and climate policy targets for 2020.

5.3 Measures to meet Europe 2020 Strategy targets

A comprehensive overview is set out below of the measures taken to reach the Europe 2020 targets. More detailed descriptions of the measures taken are available in Chapter 4.

Targets for increased employment, social inclusion and education

As stated in Section 4.1, the Government's policy is aimed at achieving full employment and reduced exclusion by reinforcing the work-first principle and getting more people into work and fewer people excluded from the labour market. According to the Government, high employment is necessary for Sweden to be a competitive country with sustainable long-term growth. Through increased employment and reduced exclusion, social disparities will be reduced and social cohesion increased. It will therefore be a top priority to manage the challenges of achieving a sustainable increase in employment, a lower equilibrium rate of unemployment, less exclusion, reduced disparities and increased cohesion.

The number of people employed has increased by 213,000 since 2006. However, the Government has the ambition to continue the reform efforts in order to strengthen the drivers to work through improvements in the way the labour market functions, continued improvements in the matching between job seekers and available jobs, an overview of taxes and margin effects and a follow-up on the reforms of the social security systems. Additional ways into work must be found for the vulnerable groups that are furthest away from the labour market.

The high unemployment among young people, the foreign-born, people with relatively short education and people with disabilities require additional measures, according to the Government's assessment. Social security contributions for young people have been cut in half, the number of places in education has increased and specific alleviating measures have been aimed at sectors employing a large amount of young people. At the same time, there is a continued need for structural reforms that increase the employability of young people.

For young people who are in the process of getting established in the labour market, education is an important part of employment policy, making the workforce employable and productive. The education system should teach skills in demand in the labour market. The two new forms of employment for young people – apprentice employment and probation employment – announced by the Government are also intended to facilitate entry to the labour market.

The Government's ambition is to find solutions, together with social partners and schools, that lead to a more inclusive labour market with greater elements of work experience and apprenticeships. Young people must be equipped with better knowledge in school, but they must also meet a well-functioning labour market with regulations that make it possible to assert skills and gain experiences. The Government has the ambition to, in dialogue with the social partners, improve the adaptability of the labour market and make room for more persons on the labour market.

The Government's reform policy has paved the way for high potential growth once the effects of the crisis abate and the use of resources in the economy start rising again from the present low levels. A policy promoting work has improved the supply of labour and made the labour market work better. The equilibrium rate of unemployment is expected to be reduced by 1.4 percentage points by 2020. It is expected that a majority of the effects will be seen in 2016.

The Government considers that the structural measures undertaken hitherto will increase the number of people in employment by 215,000 persons in the long term. The reform policy has further helped reduce exclusion by 230,000 people since 2006. In the area of education, the Government considers that the targets can be met within the given time frame, through the reform measures taken.

Accordingly, Sweden is well placed for meeting the targets set in these areas. See sections 4.1 and 4.2 for a more detailed description of the measures to achieve the targets.

The targets for research and development and energy and climate

As stated in Chapter 4.3, the research policy is directed at strengthening Sweden's position as a research and development nation, thereby strengthening our competitiveness. The Government plans to present a new research and innovation bill in 2012. The bill will be aimed at improving research quality to create the right conditions for research of a high international standard and increasing the innovative ability in Swedish society. In 2011, the Government also initiated the work on an innovation strategy intended to improve the climate for innovations in Swedish society.

Sweden shall combat threats against the climate and our environment. The Government's proposals include measures to reduce emissions from cars, measures to adapt society to the effects of climate change and investments in the marine environment. The Government's comprehensive energy and climate policy entails powerful reductions in greenhouse gas emissions and a way out of our dependency on fossil fuel. Measures promoting energy efficiencies are an important part of the Government's climate policy. A more efficient use of energy contributes to a reduced impact on the climate and the environment and to a safer energy supply. The Government therefore considers that the existing programmes within the energy efficiency area should be extended in 2013 and 2014. The programmes include support to energy and climate advisor services, technology procurement and market introduction of energy efficient technology and market control. An investment in energy research through increased resources for commercialisation, development and demonstration plants is also proposed.

The reduction in carbon dioxide taxes for industries outside the trading (trade in emission allowances) is gradually reduced in 2011–2015. The repayment of carbon dioxide tax in agriculture will be reduced in 2011, 2013 and 2015.

A new definition of green cars will be introduced in 2013. The energy tax on diesel will be increased by SEK 0.20 per litre in 2011 and by an additional SEK 0.20 per litre in 2013.

In the spring of 2010, the Riksdag approved raising the target in the electricity certificate system. The increase means that 25 TWh new renewable electricity production will be realised by 2020 compared with the 2002 level. In 2011, the Riksdag approved an expansion of the electricity certificate system to also include Norway, as of 1 January 2012. To meet the energy efficiency target, mostly general economic policy instruments (such as energy taxes, carbon dioxide taxes and emissions trading) and measures are employed. These are supplemented by other measures aiming to close information and knowledge gaps. In the 2010 Budget Bill, the Government allocated SEK 575 million for the period 2010–2012 for further energy efficiency initiatives at the local and regional levels and for initiatives for sustainable energy use. In the 2012 Budget Bill, these measures were extended, and the Government earmarked SEK 440 million for 2013–2014. With regard to smart electricity grids, SEK 10 million

per year will be allocated in 2012–2014 for the purpose of establishing a knowledge platform with an accompanying independent coordination council that will collect and disseminate relevant knowledge related to research, development and demonstrations in the area of smart electricity grids to all stakeholders. This initiative is expected to contribute to the target on energy efficiencies and renewable energy.

6. Implementation of the strategy in Sweden

6.1 Deliberations and the social partners

The social partners play a key role in creating the conditions for sustainable growth and full employment. The Swedish labour market has a high degree of organisation, broad collective bargaining agreement coverage and a well-developed social dialogue. The social partners in Sweden traditionally resolve many issues by means of collective bargaining agreements, without central government intervention in the form of legislation or the involvement of public authorities. The social partners also have a central role in the implementation of EC directives and guidelines through arrangements in collective bargaining agreements.

Regular consultations take place between the Government and the social partners on matters associated with the Europe 2020 Strategy (previously the Lisbon strategy), as well as other EU matters that concern the social partners. These consultations, which take place both at the political level and with senior civil servants, provide opportunities to discuss important EU issues in relation to the Government's actions and national policies.

To bring the dialogue with the social partners more in line with the Europe 2020 Strategy's new annual cycle (the European semester) and the national decision-making process, the Government has established a reference group with representatives from the ministries concerned in the Government Offices of Sweden and the social partners (the Confederation of Swedish Enterprise, the Swedish Trade Union Confederation (LO), the Swedish Confederation for Professional Employees (TCO), the Swedish Confederation of Professional Associations (Saco), Swedish Association of Local Authorities and Regions (SALAR) and the Swedish Agency for Government Employers). The reference group holds regular meetings over the year at strategic points in time for discussions and consultations on the implementation of the strategy in Sweden. The initiative was taken after consultation with the social partners. In a consultation meeting in November 2011, the social partners were invited to contribute a joint text to this year's national reform programme. The contribution from the social partners, which reports on the work carried out by the social partners that contributes to the implementation of the Europe 2020 Strategy in Sweden, is attached in Appendix 1.

6.2 Consultation with interest organisations and Swedish civil society

There is a number of existing consultation processes at present, which form a part of the Government's decision-making process. These also cover issues affecting the Europe 2020 Strategy. Affected stakeholders are often included in

reference groups within the inquiry system and are given the opportunity to present their views on inquiry proposals through the referral process within their specific areas. Occasionally, the Government also issues invitations to hearings, in order to bring about a dialogue on specific topics. There are also continuous discussions within various consultation bodies (such as the Pensioner's Committee, the Disability Delegation and the User Committee). To supplement these regular forms of consultation, the Ministry of Education and Research and the Ministry of Health and Social Affairs invited representatives of interest organisations and public authorities to consultation twice in 2011 to discuss the implementation of the Europe 2020 Strategy in Sweden. Much of the discussion centred on how to improve the dialogue with organisations in the civil society on the strategy's implementation. Requests included a horizontal consultation on the Europe 2020 Strategy and that affected organisations should be involved at an earlier stage.

To better adapt the forms of consultation with civil society, in response to requests from civil society stakeholders, and to the annual cycle of the Europe 2020 Strategy, the Office of the Minister for EU Affairs at the Prime Minister's Office invited the affected organisations to an information and consultation meeting on the Europe 2020 Strategy on 28 November 2011. The purpose of the meeting was to inform them of the Government's work as early in the process as possible, a few days after the presentation of the Commission's Annual Growth Survey for 2012, discuss the Commission's proposed priorities for the Europe 2020 Strategy in 2012, future forms of consultation and the involvement of the affected organisations in the work on the 2012 national reform programme. The affected organisations were invited to contribute with texts to the national reform programme that highlighted good examples of how Swedish civil society actively contributes to the implementation of the Europe 2020 Strategy in Sweden.

After the consultation in November, the Prime Minister's Office received a joint contribution to this year's national reform programme from three national adult education organisations; The Swedish Adult Education Association, Learning for Active Citizenship (FOLAC) and the Swedish National Council of Adult Education. Their contribution is included in Appendix 3 and highlights examples from the adult education movement's work to meet the targets in the Europe 2020 strategy.

6.3 Local and regional ownership

Local and regional support for the Europe 2020 Strategy's targets and intentions, and thus for regional and local development in Sweden, are crucial for the successful implementation of the strategy. The national strategy for regional competitiveness, entrepreneurship and employment 2007–2013 sets out the Government's priorities for regional growth and constitutes an important instrument for converting the EU's common targets for growth and

employment into regional and local priorities. It forms the basis of the regional development and structural funds programmes. The national strategy together with the regional development programmes thus contributes to increased cooperation between the national and the regional levels. The regional actors thus play a role in implementing the national reform programme based on their particular conditions and opportunities, primarily within the framework of the regional development programmes. In the light of local self-government in Sweden, the local level has a leading role in implementing some of the targets set by the Government.

In 2007, the Government established a national forum for regional competitiveness, entrepreneurship and employment to further develop the dialogue between the national, regional and local levels on regional growth issues. It is based on a shared responsibility between the regional and national levels for regional growth, which requires a political dialogue and a shared view and understanding of important development issues. It is also one way of increasing local and regional influence and responsibility. Political representatives from every county participate in the forum together with representatives for the Government.

In 2011, four national forums were held, where current topics were discussed. Examples include the national innovation strategy, the regional digital agendas and the work on the Infrastructure Bill.

At a national forum meeting in March 2011, the implementation of the Europe 2020 Strategy at the regional and local levels, and the link to regional growth process and cohesion policy were considered. In many places in Sweden, local and regional initiatives are underway to develop processes that more clearly integrate the Europe 2020 targets into regional and local development efforts. There is a great need for learning between the national, regional and local levels about the regional growth process. The implementation of the structural funds has contributed to this work.

In 2011, the Government instructed the county administrative boards responsible for regional growth, and it also offered the county council and municipal consultation bodies with similar responsibilities, to submit an identification of each county's priorities in future regional growth process from 2014. The aim of the report was to contribute to an in-depth understanding of the counties' future priorities within the regional growth process and to form a knowledge basis for the government's work to develop regional growth policy and future cohesion policy. Among other things, the report shall contain a description of how priorities are related to the five targets in Europe 2020. All counties have submitted reports as of 15 December 2011, and in the spring of 2012, in-depth dialogues are held on the issue with the regional level.

Appendix 2 contains a statement from the Swedish Association of Local

Authorities and Regions (SALAR) on the work on the Europe 2020 Strategy at the regional and local levels.

6.4 Regional competitiveness and employment target

In 2009, there was a strategic follow-up of the national strategy for regional competitiveness, entrepreneurship and employment 2007-2013 (Ds 2009:69). The follow-up pointed out both the importance of a national strategy and the importance of keeping the focus of the current strategy in order for there to be continuity and the possibility of improving the regional growth process. At the same time, a number of development areas for further work were identified. Within the framework of the structural funds programme, common development needs for the regional programmes and the national programme have been identified. There was a need to strengthen the follow-up of those projects expected to be most affected by the economic crisis, and the strategic content in the programmes had to be reviewed against the background of the new circumstances many different types of projects face on account of the crisis. At the same time, a number of development areas were identified for further work. These included strengthening innovation and renewal, taking advantage of the growth potential in climate and energy work, strengthening the synergy between the regional growth policy, the labour market policy and the education policy in order to improve the skills and supply of labour. Furthermore, the importance of national, regional and local preparations in anticipation of imminent demographic challenges, more of an international perspective, a strengthened regional leadership, ongoing dialogue between different levels and actors, and the development of inter-agency cooperation were emphasised. In 2012, the Government plans a new follow-up of the national strategies for the years 2009–2012.

The structural funds programmes have played an important role in the work to counteract the economic downturn that affected Sweden. The economic downturn that the programmes have had to deal with was radically different from the economic situation which existed when they were created.

The EU structural funds programmes in Sweden for the programme period 2007–2013

For the programme period 2007–2013, Sweden has received funding from the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The funds are allocated to a number of programmes within two objectives: Regional Competitiveness and Employment and European Territorial Cooperation. The structural funds programmes within these two objectives geographically apply to all of Sweden. Sweden has a total of about SEK 31 billion (EU funds and national public co-financing) for initiatives to achieve the Regional Competitiveness and Employment Objective and the European Territorial Cooperation Objective.

The European structural funds programmes for regional competitiveness and employment, 2007–2013 (the European Regional Development Fund)

The total amount of the eight regional structural funds programmes is SEK 22.6 billion (EU funds, Swedish public co-financing and private co-financing) for the entire programme period. Of the programmes' total assets, the EU share of the funding amounts to about SEK 8.4 billion. In addition, there is national public co-financing amounting to about SEK 9.8 billion and business sector financing is estimated at around SEK 4.3 billion.

Until the turn of the year 2011/2012, the decision on EU funds from the ERDF in the eight regional structural funds programmes amounted to approximately SEK 7.8 billion. Approximately SEK 9.5 billion in national public co-financing will be added. The private co-financing amounts to about SEK 2 billion. The speed of implementation is very good in the programmes. Sweden is at the top within the EU; as of 2011, 93 per cent of the total funds have been committed and 50 per cent have been paid.

Table 4 Report on types of initiatives to date, based on funds approved up to 31 December 2011

	R&D & entrepreneurship	IT	Transport	Energy	Tourism & attractions	Other (excl. [TA])
North Sweden	65.9%	3.7%	17.9%	1.7%	8.5%	2.3%
Mid North-Sweden	52.1%	8.6%	12.6%	7.1%	17.4%	2.0%
North Mid-Sweden	58.8%	11.7%	17.5%	1.8%	9.0%	1.2%
East Mid-Sweden	82.0%	7.4%	10.0%	0.6%	0.0%	0.0%
Stockholm	58.9%	0.0%	20.9%	0.0%	3.5%	16.7%
West Sweden	79.0%	0.0%	0.0%	3.7%	0.0%	17.3%
Småland and the islands	54.2%	0.2%	36.4%	1.4%	7.0%	0.8%
Skåne-Blekinge	64.2%	10.3%	4.5%	1.2%	2.6%	17.2%
Total	62.9%	6.6%	15.3%	2.6%	8.2%	4.4%

Source: The Swedish Agency for Economic and Regional Growth

According to the programme documentation, the measures under the eight regional structural funds programmes are expected to contribute to 33,300 new job opportunities and 12,800 new businesses. The number of companies expected to participate in the programme is 28,115. The goal is that the outcome of new job opportunities, new business start-ups and participation by companies are evenly distributed between women and men at the end of the programme period. As of 31 December 2011, the programmes have contributed to the creation of approximately 22,000 jobs and 9,000 new companies. In addition, about 18,000 companies have participated in the programmes. Approximately 1,300 projects have been financed. After the completion of roughly half of the projects, it is apparent that the targets have been met in general, particularly as regards the participation of companies and new networks, where we have already met the targets for the entire period.

In the eight regional structural funds programmes, decisions were missing for the funding of twelve fund projects aimed at increasing the regional supply of equity for new and growing SMEs. Part of the ambition is to offer other forms of funding than benefits, such as loans, guarantees and venture capital. The projects, including public co-financing and private investors, have a total turnover of SEK 2.1 billion. Through December 2011, the projects had received 1,872 requests and invested a total of about SEK 1.115 billion in 141 portfolio companies.

Even if it is too early to see the results and impact of most initiatives, the impression from the evaluations of the programme is still predominantly positive. In the evaluators' opinion, the targets established for the project will most likely be met, despite the economic downturn, and the programmes are able to focus on structural change leading to new industries.

The higher level of professionalism and the requirements on innovativeness, creativity, long-term perspective and additionality in the Swedish system helps making the project more results-oriented and more innovatively connected to the natural conditions in the region than before. For example, the support of the structural funds programmes to the innovation systems have made them more "cluster dynamic", i.e. there is a clearer learning perspective, networking and knowledge spill-over.

Even if evaluations are predominantly positive, there is still room for improvements. For example, projects owned by universities and research institutions often need an even stronger link to the business community. Also, the innovation perspective within the entrepreneurial initiatives must be strengthened.

The national structural funds programme for regional competitiveness and employment, 2007–2013 (the European Social Fund)

The overall goal of the national structural funds programme for regional competitiveness and employment 2007–2013 is higher growth through an increased labour supply and good skills supply. There are projects in the programme aimed at counteracting exclusion in the labour market and promoting skills development for the employed. The grant from the European Social Fund (ESF) amounts to about SEK 6.2 billion for the period. In addition, national public co-financing will at least match that amount.

Through 2011, more than 800 projects primarily aimed at those most detached from the labour market have been awarded funding. The number of people who have begun to participate in these projects amount to 60,000, of which 48 per cent are women and 52 per cent are men. In the same period, barely 1,300 projects aimed at skills development for the employed have been awarded funding. 175,000 persons have begun to participate, of which 52 per cent are women and 48 per cent are men. The committed ESF funds in the national

structural funds programme through 2011 total SEK 5.1 billion or 83 per cent of the decision-making scope. The national public co-financing is SEK 7.2 billion.

The Government agency involved, the Swedish ESF Council, is of the opinion that all quantified goals regarding skills development for the employed will be met at the end of the programme period. With regard to efforts related to people who are very detached from the labour market, the authority believes that all quantified goals will be met, except the goal for the long-term unemployed. The goal for young people, which has been changed from at least 5,000 to at least 15,000 participants, has been met before the end of the programme period. Through 2011, just over 26,000 young people began their participation.

The independent evaluation of the national structural funds programme has thus far focused primarily on the implementing organisation. At an early stage, some deficiencies in the processing of project applications, etc. were pointed out. The Swedish ESF Council has taken measures to remedy these deficiencies. Since then, it has been the evaluators' opinion that the implementation functions relatively well and that fundamental changes in the processes involved should not be made during the current programme period. An evaluation of the structural funds programme centred on the programme results and added value has been initiated.

Territorial cooperation

Within the European Territorial Cooperation Objective, Sweden participates in a total of thirteen programmes. Six cross-border programmes for border regions include one or more counties: the North, the Botnia-Atlantica, Sweden-Norway and Öresund-Kattegat-Skagerrak, the Central Baltic and the South Baltic. The European regional development programmes contribute SEK 3.3 billion to these six programmes during 2007–2013. Sweden also participates in three transnational programmes: the Northern Periphery, the Baltic Sea Region and the North Sea programmes. The European Regional Development Fund is contributing SEK 3.4 billion to these programmes in the period 2007–2013. By 31 December 2011, funding of approximately SEK 6.3 billion from ERDF in all nine cross-border and transnational programmes had been approved.

In addition to the cross-border and transnational programmes, Sweden also participates in four programmes aiming at interregional cooperation and the exchange of experiences through networks and analysis. These are Interreg IVC, Urbact II, Espon and Interact II. These programmes concern all 27 Member States.

The programmes are tools used to bring attention to and help removing obstacles that still counteract development in the border regions, in the form

of different laws, regulations and practices that do not show sufficient consideration for the reality faced daily by nationals in the border regions. By solving border-related everyday problems and facilitating increased integration, the programmes help bring the EU closer to the nationals.

- The average decision level is 90 per cent, but varies from 78 to 100 per cent in the various programmes. In total, 26 per cent of the EU framework has been paid, but there is great variation among programmes, from 18 to 40 per cent.
- The largest co-financiers in the programmes are county administrative boards, regional councils and certain municipalities and universities.
- A majority of the funds granted contribute to meeting the targets of the Lisbon strategy, approximately 80 per cent (except for Sweden-Norway, which is approximately 50 per cent). There is no predominant category of projects within the territorial programmes, as there is for the eight regional programmes. However, research and development and entrepreneurship are the largest categories here as well.

Table 5 Decision and payment levels on 31 December 2011

	Granted EU funding	Decision (%)	Paid (%)
Cross-border programmes			
Sweden-Norway	335	90	40
North	306	90	32
Botnia-Atlantica	274	81	29
Öresund-Kattegatt-Skagerrak (ÖKS)	1,005	78	23
Central Baltic	920	94	20
South Baltic	547	89	18
Transnational programmes			
Northern Periphery	317	96	28
North Sea	1,247	98	32
Baltic Sea	1,872	92	24
Total	6,823	90	33

Source: The Swedish Agency for Economic and Regional Growth

The themes of the cooperation projects concern:

- The development of a joint labour market through employment services and support to cross-border commuting.
- The strengthening of research, education and innovation environments through coordination and consultation.
- The creation of networks between the regions' business communities, particularly between SMEs.
- Joint care and development of natural resources, environmental protection, coasts and ecosystems and climate change-related risk management.

- Consultation between educational institutions.
- Joint cross-border public services, within areas such as health, environment, education, research, rescue services and public transport.
- Joint planning of infrastructure and communications.

In addition to these thirteen programmes for territorial cooperation in the EU, Sweden also participates in cross-border cooperation programmes with non-EU countries through the Community instrument, the European Neighbourhood and Partnership Instrument (ENPI). Sweden participates in the European Neighbourhood and Partnership Instrument (ENPI) Cross-Border Cooperation (CBC) Kolarctic Programme for regional cooperation with Russia. In addition, there is ENPI funding in the Baltic Sea Programme to make it possible for Belarus to participate.

Under the Swedish Presidency in the autumn of 2009, the European Council adopted the EU's Baltic Sea Strategy. The strategy is the first of its kind for a macro region in the EU and involves a new strategic working method in the cooperation by a number of neighbouring countries to meet region-specific challenges. The strategy constitutes a guide to the territorial cross-border cooperation in the Baltic Sea region and thus helps focus on the large number of initiatives underway in the region.

The Government plays an active role in the process and works towards ensuring that the implementation will contribute to closer territorial and intersectoral cooperation in the region. The Government has assumed special responsibility for the cooperation in research and innovation, transport issues, chemicals in the sea and fishery issues, but also underlines the importance of all the priorities in the strategy. To contribute to its concrete implementation, the Government has also instructed a total of 37 public authorities and 21 county administrative boards to take part in the work on the strategy. Several of the authorities lead large projects with partners from other Baltic Sea countries, such as supporting cluster cooperation, SME networks and cooperation in radio spectrum matters, areas where added value is created by cooperation.

Appendix 1. Contribution from social partners

Introduction

The social partners – the Swedish Association of Local Authorities and Regions (SALAR), the Confederation of Swedish Enterprise (LO), the Swedish Trade Union Confederation (TCO), the Swedish Confederation for Professional Employees (Saco) and the Swedish Confederation of Professional Associations – have provided the following examples of initiatives and measures in line with some of the guidelines in the Europe 2020 Strategy. This is a selection of examples and not a comprehensive report. Some of them are based on joint agreements among all organisations; others are agreements among some of the organisations. Some examples have been implemented only by one organisation.

The social partners are responsible for the formation of wages on the Swedish labour market and they safeguard their autonomy as a party.

Guideline 6: Improving the business and consumer environment and modernising and developing the industrial base in order to ensure the full functioning of the internal market.

Implementation of the Services Directive

In 2011–2012, the Swedish Association of Local Authorities and Regions (SALAR) participated in the National Board of Trade's efforts to make it easier for Swedish municipalities and county councils to implement the Services Directive. Among other things, the authority developed a couple of documents that were presented at four seminars around the country. Representatives from SALAR participated as speakers in the seminars, which were aimed at municipal lawyers and municipal chief executives. SALAR also strives to increase awareness of the significance of EU law at the local level through targeted information on SALAR's website.

Guideline 7: Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality

Gender equality

Gender equality council

The social partners in the municipal sector have convened a gender equality council. The purpose of the council is to monitor the development of salaries and terms of employment from a gender equality perspective and propose active measures aimed at achieving more equality in working life.

Equality integration

Since 2008, the Government has granted SALAR SEK 240 million in support of local work on equality integration. "Programme for Sustainable Gender Equality" is the name of SALAR's major initiative to make municipalities and county council's offer equal and good service to women and men, girls and boys.

SALAR has financed 87 development projects in municipalities and county councils around the country. At the moment, we are making a special effort to disseminate the knowledge and experiences related to those projects, aimed at other municipalities and county councils. The basic idea is that gender equality work should be sustainable and a part of the regular activities.

The Programme for Sustainable Gender Equality is the largest investment in gender equality integration ever in Sweden.

Daddy Index

To increase gender equality in working life, the Swedish Confederation for Professional Employees (TCO) created a Daddy Index published every year. It is an index on paternity leave that is considered to be one of several measurements of responsibility fathers take for their children. TCO's daddy index was launched in December 2000 and currently contains figures for all municipalities and Swedish social insurance administrations. In addition, the index now lists the 20 best and worst municipalities.

Fathers in Sweden have increased their share of parental leave since 1999, which was when the index was measured for the first time, both with regard to the number of men on paternity leave and the share of parental leave days taken by men. But even if the TCO Daddy Index shows major improvements over the years, there is still a long way to go before fathers take half of the available parental leave.

Promoting integration in the labour market

The Council for Integration in Working Life

The Council for Integration in Working Life (Ria) was established by the central organisations in the labour market to support, monitor and develop the work on integration in working life. Ria works to promote equal treatment and counteract ethnic discrimination and harassment in the workplace.

Ria operates in a number of ways, such as by exchanging experiences and ideas and providing practical guidance. The council makes authorities and politicians aware of structures that should be changed, undertakes workplace visits, arranges hearings, research and training seminars and develops and disseminates information and training materials. Ria also grants a special award to companies,

authorities, organisations and individuals who contribute to increasing integration in working life through practical work and good initiatives.

The Omstart web portal

Omstart (Re-Start), a web portal operated by the Swedish Confederation of Professional Associations (Saco) and its member associations, is aimed at academics with foreign degrees who have not yet established themselves within their professional field in Sweden. The portal gathers everything from information on the Swedish labour market to specific information that is important for specific professional groups.

The Recruitment Bazaar

For a number of years, several of the parties have participated as co-hosts of the Recruitment Bazaar in Stockholm. Approximately 10,000 people generally visit the bazaar, where they can meet employers recruiting employees and find information on how to start a company, information on higher education studies and other education in the County of Stockholm and information on how to get their foreign degrees and diplomas validated.

Mentoring programmes and introduction guides

Mentoring programmes and introduction guides are two examples of individual support offered. Several Saco associations have mentoring programmes for newly arrived academics. In the programmes a newly arrived academic will be paired with a colleague in the same profession. The objective is for the immigrant academic to expand his or her professional network and gain improved self-confidence in his or her career efforts. The person will also gain knowledge on what it is like to work within his or her industry or profession in Sweden.

The Swedish Medical Association has started an introduction guide activity. The aim is to shorten and improve the road to obtaining a Swedish medical licence. According to the Swedish National Audit Office, it takes approximately three years for a specialist physician and up to six years for a licensed physician who received their training outside the EU/EEA to obtain a licence in Sweden. The Swedish Medical Association assumes the role of introduction guide for a limited period of time. This project will run until the spring of 2014.

A sustainable working life

Work environment

The social partners have, at the national level, developed a joint translation of the European agreement “Inclusive Labour Markets”. The social partners are planning a joint seminar where the agreement is presented.

LO, TCO and Saco have jointly announced the establishment of an annual union safety officer day. The first occasion will be on 24 October 2012. The background for this is the Swedish safety officers' 100th anniversary, which will be celebrated in 2012.

Regional safety officers promote a good work environment in smaller workplaces, which often do not have any local safety officer. The requirement for regional safety officer activities is steadily increasing, as the number of new small companies is growing.

The Confederation of Swedish Enterprise, LO and the Council for Negotiation and Co-operation (PTK) are the principals of the non-profit organisation Prevent, which is tasked with spreading knowledge on work environment issues. Prevent publishes work and training materials and factual books, provides information and training and publishes the magazine *Arbetsliv*. (PTK is an organisation for cooperation among trade unions that organise white-collar workers employed in the private sector.)

Flexicurity

Transition agreements

The first transition agreement in the Swedish labour market was concluded in 1974 with the aim of supporting white-collar workers employed in the private sector who are made redundant, or who risk being made redundant, on their way to finding a new job. Thereafter, an increasing number of similar agreements have been concluded in other areas. Starting on 1 January 2012, there is one transition agreement covering 1.1 million employees in the local government sector; accordingly, the social partners where there are collective bargaining agreements, have concluded agreements on transitions in the private, public, and local government sectors. This means that a majority of the employees in the Swedish labour market are covered by a transition agreement.

Sweden is unique in that the social partners assume responsibility for such a major part of the active employment policy measures in case of unemployment. These agreements promote *flexicurity* in the Swedish labour market.

For example, the Confederation of Swedish Enterprise and PTK have concluded an agreement for a defined-contribution transition insurance. The agreement is financed by a fee on the company's salary expenditures. The business is operated by TRR Trygghetsrådet, a company jointly owned by the parties. Transition support refers to measures intended to make it easier for employees who are made or risk being made redundant to find new work. To receive transition support, the employee must have been permanently employed for at least one year by the same company. In addition to advice and coaching, the support may involve a shorter training course, longer studies, a "retraining salary," a trainee

position or help to start their own business. Transition support is available for up to two years and can be extended further.

An employee is also eligible for transition support if he or she leaves the company without having been terminated by the employer, but the reason must be redundancy and the employee must leave the company at the employer's initiative. In those cases there is no redundancy pay (AGE).

The Confederation of Swedish Enterprise and LO has a similar agreement for blue-collar workers. The agreement includes transition support, including help finding new work, and redundancy pay (AGB). The business is operated by Trygghetsfonden TSL, a company jointly owned by the parties,

The employee is eligible for transition support if the company and the local trade union jointly apply for financing of transition support and they choose a supplier together. The transition programmes last at least 12 months from the last day of employment. AGB is a lump sum paid in connection with the termination of employment.

Good results

With regard to white-collar workers, TRR Trygghetsrådet has succeeded in helping nine out of ten terminated white-collar workers into new work. The average time is approximately six months. Seven out of ten receive a salary that is as good as or better than in their old job, and eight out of ten have found a position equal to or better than their old one.

In a normal labour market situation, seven out of ten terminated blue-collar workers have found new work within 12 months with the assistance of Trygghetsfonden TSL.

Short-term employment

In February 2012, the trade unions and employers organisations in industry jointly presented a proposal for short-term employment. According to the parties, short-term employment should benefit employees, companies and the Government, as the number of terminations would be limited. For the Government, it would mean that long-term unemployment can be limited and it would be possible to keep the cost of unemployment benefits down. For companies, the retained talent would make it easier to get started again once demand returns. To get this system started, it would need to involve a deep economic crisis that is expected to be of short duration, and which is characterised by a steep fall in demand. A system for short-term employment requires legislation on short-term employment. In February 2012, the Government Offices of Sweden ordered an inquiry to make proposals for short-term employment.

Scania as an example

Scania has received attention as a good example, described in an article in the journal *Arbetsmarknad & Arbetsliv* (2011). Scania, the vehicle manufacturer, was severely hit by the financial crisis. In 2009 production was reduced by 45 per cent, and all temporary employees had to leave the company. In May 2009, an agreement was concluded regarding a four-day work week and a 10 per cent cut in salaries. The agreement stated that there would be no notices of termination for the duration of the agreement, which covered the second half of 2009. As the cyclical situation had not improved by the end of the year, the parties concluded a new agreement. The new agreement was for 80 per cent work at 100 per cent pay. Instead of reducing gross salaries, the company found other ways of saving money.

During the term of the crisis agreement, Scania conducted skills development training with financial support from the European Social Fund (ESF). The skills development included general topics such as mathematics, Swedish, English and technology, as well as shorter courses related to the business. In total, the skills development covered 4,700 employees in Sweden, who received an average of 170 hours of training.

Guideline 8: Developing a skilled workforce responding to labour market needs, and promoting life-long learning

Education and the labour market

Guidance for young people

Every year Saco and its member organisations issue two publications aimed at students who are about to graduate from upper secondary school. “Choosing a profession and higher education” describes some 160 professions: work duties, required training, salary levels, etc., while “Future prospects – the labour market for academic professions” contains five-year forecasts for the labour market for a selection of 60 higher education professions.

Saco Student Fairs are arranged every year in Malmö and Stockholm. Representatives from universities and higher education institutions, other education providers, future employers, several authorities and organisations, including Saco's member organisations, are represented at these fairs, so that the students can be in contact with them during their studies. Study counsellors and career advisors are present at the fairs, and seminars are arranged. In 2011, the fairs had approximately 27,300 visitors, which correspond to about a fourth of all 19-year-olds in Sweden.

Comparisons between courses

The Confederation of Swedish Enterprise has developed the websites Gymnasiekvalitet.se and Högskolekvalitet.se, which make it possible to compare

various courses at Swedish upper secondary schools, universities and higher education institutions. Among other things, the pages aim to show students that it is important to make a considered choice of education by visualising the connection between cooperation with the business community in the education and increased chances in the labour market after the end of the studies. As a future student, it is possible to get an indication of which courses are most likely to lead to a job, which ones have an established cooperation with the business community, and what the salary levels are.

Young people in employment

SALAR is making a focused effort at prioritising "Young people in employment" in 2012, such as through the project "The most important jobs in Sweden", which aims to encourage young people to choose studies that lead to work, i.e. recruitments to the welfare sector.

Young entrepreneurs

Young Entrepreneurs (Ung Företagsamhet, UF)) works to make young people more entrepreneurial and to increase the number of companies in Sweden. Through three training concepts, young people get to develop creativity, the spirit of enterprise and entrepreneurship. In the 2011/2012 academic year, approximately 20,000 upper secondary school students run UF businesses. Since the inception in 1980, approximately 235,000 people have run UF businesses. The activities are spread throughout the country and almost 600 upper secondary schools offer their students the opportunity to run UF businesses. Ten years later, 24 per cent of those who participated in the UF Business programme (UF-Företagande) have gained experience running a business. Eight out of 10 students have learned more about the necessary conditions for running a business. In addition, students say they have improved their ability to make decisions, cooperate and solve problems and they have more self-confidence.

Work introduction agreements

In 2010, Teknikföretagen (the employer's association for technical and engineering companies) and IF Metall (the metal workers' trade union) agreed to implement a work introduction agreement, intended to safeguard the long-term skills supply in a range of industries. The agreement is also aimed at stimulating industrial companies to offer special introductory employments to young people 25 years old or younger. The employment has a fixed-term up to 12 months with the possibility of extending it by an additional 12 months. Each work introduction employment shall be combined with supervision and an individual development plan regarding work duties and training and introductory initiatives. Monthly salaries are applied to work introduction employments. The monthly salary shall amount to a minimum of 75 per cent of the minimum salary in the collective agreement.

Guideline 9: Improving the quality and performance of education and training systems at all levels and increasing participation in tertiary or equivalent education

Drop-outs and plug-in

SALAR's work with drop-outs will be focused on a project run by SALAR and partially financed by the European Social Fund (ESF). The project will run from mid-2012 to mid-2014 and is valued at SEK 200 million.

Together with five regional councils, SALAR will run the “plug-in” project, which aims to counteract the dropping out of upper secondary school and get drop-outs to resume their upper secondary studies. The work with the young people will take place in 50 municipalities. SALAR will be the project owner and also gather and analyse all experiences from the work throughout the country. Based on these experiences and results, concrete proposals will be made on how to make general changes to the work to achieve a better success rate in getting young people to complete their upper secondary studies.

Appendix 2. Contributions from the Swedish Association of Local Authorities and Regions (SALAR) – as a representative of the regional and local levels in Sweden

Strategic work on the strategy at the local and regional levels

The Europe 2020 Strategy affects several policy areas that in Sweden fall within the responsibility of municipalities, county councils and regions. SALAR shares the Commission's view that strengthened participation by municipalities and regions, and by the social partners at the national and European levels, are key to the success of Europe 2020.

Many of Sweden's municipalities, county councils and regions, most importantly at the regional level, have integrated the Europe 2020 targets in their development plans, operational plans and annual budgets. There are solid strategic efforts to follow up on the targets with fixed indicators as part of the strategy. In this context, it is important to emphasise that for the many regions and county councils that have regional development responsibility in Sweden, their basic instructions include working on and driving many of the issues highlighted in the strategy. Accordingly, these are issues that SALAR's members work with on a regular basis.

Also, the 290 municipalities throughout Sweden include efforts connected to the Europe 2020 targets in their work on many fronts and within many of their core activities. In a majority of regional councils, municipalities have also integrated the targets of the strategy into their operational plans and budgets and defined measurable indicators.

Regional and local examples

A number of ongoing projects throughout Sweden, at the local and regional levels, aim at meeting the targets of the strategy. In this document we focus on describing what is being done to reach the groups most detached from the labour market, which is in line with the national targets to Sweden from the Council in 2011.

The municipalities in Sweden undertake extensive work on projects within this area. Within the European Social Fund's (ESF) Programme Area 2, the municipalities are the single largest co-financier with almost half, SEK 2.9 billion, of the co-financing approved so far. The municipalities are responsible for 300 out of 750 current ESF projects throughout the country.

Within the framework of SALAR

Within the framework of SALAR's prioritised matter "Youth to work" the municipalities receive support in their efforts to facilitate young people's establishment in the labour market. The Europe 2020 target on reduced school drop-out rates formed the basis of many efforts related to the issue.

The "Plug-In" project runs until June 2014 and is aimed at youths over 16 who are considering dropping out of upper secondary school or who have already dropped out of their studies.

SALAR manages the project in cooperation with the Göteborg Region Association of Local Authorities (GR), the Jämtland regional council, the Regional Council in Kalmar County, Region Västerbotten and the East Sweden Region. Plug-In is 50 per cent funded by the ESF.

To create additional cooperation with regional councils that are not included in any ESF projects but that want to work to reduce upper secondary school drop-out rates, SALAR will in the spring of 2012 develop an "Open comparison" of upper secondary school drop-out rates.

Local examples

There is a multitude of local examples of projects throughout the country addressed to groups who are very detached from the labour market. One of these is Umbrella, a project aimed at making the municipal responsibility of information work in a satisfactory manner in the municipalities and at mapping and helping youths aged 16–20 who are not studying or working. During the project period, they managed to reach nearly all youths in the target group to offer conversations or solutions. As the project was so successful, it is now part of the municipality's regular activities since 2012. OpenEyes is another project aimed at finding career paths for young people with disabilities.

Ung Framtid (Young future) is a project that sought new ways and methods to help young job seekers aged 16–24 to get established in working life. Ung Framtid strives to simulate a real workplace and uses "project thinking" where targets and deadlines steer the participants' tasks and working methods. Jobboffensiv 2011–2014 (Job Offensive) is an action programme for a sustainable social development of the entire municipality, and takes a comprehensive grip on labour market and adult education matters. The prioritised target groups are the long-term unemployed who have received income support or activity support and unemployed youths, regardless of how long they have been unemployed, and unemployed people with disabilities.

Ung och nyanländ (Young and newly arrived) is a language support project where language training is combined with an active search for employers who are willing to accept trainees who recently arrived in Sweden.

Appendix 3. Contributions from the Swedish Adult Education Association, Learning for Active Citizenship (FOLAC) and the Swedish National Council of Adult Education

The EU 2020 Strategy – good examples from the adult education movement's work to meet the targets

At the information and consultation meeting regarding the Europe 2020 Strategy on 28 November, the present associations were encouraged to submit short information texts to the Prime Minister's Office with good examples on how Swedish civil society actively contributes to meeting the targets in the Europe 2020 Strategy. Those good examples might then constitute contributions in the Government's feedback to the European Commission.

The European 2020 Strategy focuses on smart and sustainable growth that involves high employment and cohesion in Europe. The specific targets of 75 per cent of the population aged 20–64 in employment, 20 million fewer people in poverty, the reduction in school drop-out rates to below 10 per cent and at least 40 per cent of 30–34-year-olds completing higher education (or equivalent) are targets that the adult education movement contribute actively to in its daily operations.

Swedish adult education – a sustainable contribution to the Europe 2020 Strategy

The Swedish adult education model is a sustainable and efficient contribution to the Europe 2020 Strategy. It contains aspects of relevance not only from a Swedish national perspective. The 10 study associations with their local units and the 150 folk high schools reflect major parts of the Swedish civil society. Extensive activities throughout the country with study circles, folk high school courses and cultural programmes engage major parts of the population every year. The adult education movement makes a major contribution to keeping Sweden at a top position in Europe for adult education. This benefits individuals and society alike. The study association's study circles and the folk high school courses constitute a national infrastructure for learning and personal development, open to all nationals. The adult education movement's activities are multifaceted and flexible to meet the varying needs of the participants at different stages in life.

Government support to the adult education movement is based on the fact that it contributes to developing and strengthening democracy, contributes to making it possible for people to affect their situation in life and participate in social life, contributes to evening out educational disparities and raising the level

of education in the country and contributes to widening the interest and participation in cultural life. The Swedish National Council of Adult Education annually submits a collected assessment of the adult education movement's societal effects to the Government.

The adult education movement in Sweden can play an active role in the national implementation of the European agenda for adult education, adopted by the Council on 28 November 2011 with a reference to the Europe 2020 Strategy. The Swedish National Council of Adult Education is prepared to cooperate within the framework of the national coordination of the agenda. The Swedish adult education movement may further, at the EU level, contribute with national experiences from the Swedish adult education movement's work on the issues addressed in the European agenda.

Study associations

The ten study associations are located in every municipality throughout the country, primarily offering study circles in a wide variety of subjects. In 2010, 279,000 study circles were arranged with close to 1.8 million participants. A participant may take part in more than one circle; the number of unique participants is estimated to be about 701,000 people. Approximately 314,500 programmes are arranged every year, with nearly 16.5 million participants.

The study associations have varying profiles and directions, depending on their member organisations and popular movements. The varying profiles of the study associations make it possible for different people to find a study circle or cultural event that stimulates their interest. In addition to the traditional study circle activities, the study associations conduct activities based on assignments from municipalities and employment services. It may concern initiatives related to unemployed youths, Swedish for immigrants, upper secondary school for individuals with learning disabilities or study circles in practical democracy, etc.

The study associations' flexible pedagogy and methodology make it possible for them to reach people with the most varying abilities and make them grow, learn differently and learn new things. The study associations are natural actors in a society where life-long learning is essential for competitiveness.

The study associations work actively to offer everyone educational opportunities, regardless of any physical, cognitive or intellectual disabilities, language difficulties or whatever the case may be.

The actual meetings between people who share their knowledge, experience and views constitute the strength of study circles, and they build bridges between people and give rise to new ideas and new insights. This is how democracy and cohesion are strengthened in society.

The study associations offer plenty of opportunities for those who, for any reason, have not been able to get by in the regular education system. For

example, bridging the digital divide forms a natural part of the adult education assignment. The study associations engaged a total of 54,800 people in 2009 in activities involving computer use and/or aimed at improving the participants' abilities to use digital technology.

The folk high schools

In their daily business, Sweden's 150 folk high schools carry out important democracy, educational and cultural activities. Each semester, approximately 57,000 people attend shorter courses and approximately 28,000 people attend longer courses. Most folk high schools offer their attendees studies at boarding schools, and all folk high schools offer longer qualifying general courses. Participation is free, voluntary and involves no fees, and the schools are very free to design their activities based on the participants' specific abilities and needs. The folk high schools play a central role to less favoured groups. The greater majority of participants in the general qualifying courses have not completed upper secondary school, and roughly 50 per cent are less than 25 years old. In 2010, 30 per cent of the participants in the general courses were people with disabilities and 38 per cent were people with a foreign background. Accordingly, the folk high schools assume a very large responsibility for the education and integration policies.

In a survey of folk high school participants (FBR 2010), 70–80 per cent of the participants claim “that they have improved their general knowledge and become more engaged in social issues, more active with leisure time activities and more interested in cultural issues”. Roughly the same amount of people state that they now feel more confident, call more things into question and take more initiatives than before. Over two thirds say they have “gained a better understanding of the different conditions for men and women in society and of people with a different cultural and ethnic background than their own.”

In the report “Folk high schools and youth unemployment” (TCO, SFHL and FOLAC, 2009), these positive effects on the participants are also stated in other terms than the personal evaluation form. It is reported that through the records of Statistics Sweden, it is possible to follow up what happened to the participants in the longer courses one year after the conclusion of the folk high school studies. Approximately 85 per cent supported themselves through gainful employment or further studies. Over 60 per cent supported themselves through gainful employment, which must be seen as a high proportion – particularly for people with a foreign background. The proportion who subsisted on some form of unemployment benefits or income support was low.

In addition to the positive economic effects, there are also immeasurable effects in the form of personal maturity, as expressed by the participants themselves.

Accordingly, the folk high schools contribute to meeting several targets in the Europe 2020 Strategy.



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