

2 Guidelines for economic and budget policy

2.1 Introduction

The spread of the disease COVID-19 has confronted Sweden and the whole world with a situation unparalleled in modern times. In addition to the serious consequences for life and health, the spread of infection has hit jobs and business hard. After an unexpectedly strong economic recovery in the third quarter of 2020, the spread of infection accelerated again at the end of the year and activity in the economy decreased, but not as distinctly as it did in spring 2020.

Sweden is going to be affected by the pandemic for a long time, but the record pace of vaccine development brings hope. First and foremost, the vaccines save lives and health, but they also save jobs and companies. The faster the restrictions can be phased out, the sooner society and the economy can recover and unemployment can be pushed back.

The pandemic puts society under great strain. The deficiencies in Sweden's welfare provision have been made visible, including in care of older people. School closures and distance teaching risk having an adverse effect on pupils' learning and health. Moreover, the situation in the labour market is serious. People who had a weak attachment to the labour market even before the pandemic risk getting stuck in long-term unemployment. A split has emerged in the business sector. Industry is back at the same levels of activity as before the crisis, while many sectors in services are still hard hit by restrictions and recommendations about physical distancing.

Further reforms are required to solve the societal problems that Sweden had before the pandemic. Global warming is continuing; one result is that extreme weather conditions are becoming ever more common. Climate emissions are decreasing too slowly, and the threats to biodiversity remain. More needs to be done for better learning outcomes and greater equity in the Swedish school system. Work to reduce and counter segregation must continue. Poverty and overcrowding risk worsening children's living conditions. Vulnerable areas must be lifted. Serious organised crime creates insecurity and division. The gap between urban and rural areas must be closed, especially concerning jobs and business.

Since the spread of infection started, the Government and the Riksdag (the Swedish Parliament) have taken a large number of measures to safeguard people's lives, health and livelihoods. A lack of financial resources must not prevent work to limit the spread of infection and to care for the sick. Municipalities, regions and government agencies have therefore received major additional funding. Extensive financial support and front-loaded temporary tax reductions have been put in place to alleviate the negative financial consequences of the pandemic for jobs and business but also for other actors and for individuals. Unemployed people have been given stronger financial security and more opportunities of transitioning. Special action has been taken for schools and civil society. A powerful green economic restart is being implemented. The total expenditure for the measures taken since the spread of the infection began is now estimated at more than SEK 400 billion.

The Spring Amending Budget for 2021 (Govt Bill 2020/21:99) was presented in conjunction with this Bill. The Government also presented the Extra Amending Budget for 2021 – Extended compensation in the area of health insurance, support for companies, culture and sport and other measures on account of the COVID-19 virus (Government Bill 2020/21:166) to the Riksdag on 6 April 2021. These two government bills amending the central government budget contain further measures to work Sweden out of the crisis and build a better and more sustainable Sweden than before the pandemic.

Both the Spring Fiscal Policy Bill for 2021 and the proposed amendments to the budget are based on a political agreement between the Swedish Social Democratic Party, the Centre Party, the Liberal Party and the Green Party.

Limit the spread of infection and carry out vaccination

Rapid and safe vaccination is of fundamental importance for bringing Sweden out of the pandemic. At the same time, work to limit the spread of infection and care for the sick must continue. The whole of society – the State, government agencies, regions, municipalities and private parties – has a common responsibility to combat the spread of infection and make rapid and large-scale vaccination possible.

The vaccination programme that has now been started is the most extensive ever in Sweden. The State undertakes to pay for vaccines and vaccinations, and the regions carry out the vaccinations in accordance with the recommendations of the Public Health Agency of Sweden. The Government proposes allocating a further SEK 1.7 billion to ensure the resources necessary for vaccine costs and for compensation to the regions. Under the agreement made by the Government and the Swedish Association of Local Authorities and Regions (SALAR), everyone in Sweden who is 18 years or older and individuals under 18 years who belong to a risk group will be rapidly offered vaccination against COVID-19. Sweden is cooperating in the European Union to produce an internationally accepted certificate of vaccination against COVID-19.

The pressure on health care remains high. The Government is therefore proposing additional funding of SEK 2 billion for the regions, over and above the SEK 4 billion so far allocated in 2021, to cover costs of deferred care and care for patients with COVID-19. The Government is carefully following developments in health care due to the spread of infection and is prepared to revert to the Riksdag when needed.

Continuing to limit the spread of infection reduces the risk of health care being overburdened. It is also of the utmost importance to continue to protect risk groups. To meet the need for continued large-scale testing and tracing, the Government is proposing additional funding of SEK 1.65 billion. The Government has also proposed extending a number of temporary measures until and including 30 June 2021; they include compensation for the sick pay standard deduction and the exemption from the requirement of a doctor's certificate as well as forms of compensation to risk groups. The Government intends to extend these measures until the vaccination target has been reached. An extension has also been proposed of the special provisions regarding sickness benefit when health care and rehabilitation are deferred, as well as of the government grant for protective equipment for personal assistants. For infection protection reasons, there is a continued need to be able to get to work without using public transport. An extension has therefore been proposed of the temporary tax and charge exemption for free parking benefit in connection with workplaces that was introduced in 2020.

Measures to alleviate the consequences of the pandemic

In addition to its impacts on life and health, the pandemic has also caused serious consequences for the whole of society. The extensive support measures have alleviated the consequences for many, but more must be done.

The pandemic has led to a clear decrease in demand in the economy, with serious consequences for jobs and business throughout the country. In order to continue supporting viable companies and reducing job losses, the Government has proposed extending several of the temporary measures. They include the compensation scheme for undertakings faced with turnover losses, the reinforced compensation scheme for undertakings faced with turnover losses affected by specific bans and recommendations, the turnover-based support for sole traders, the support for trading partnerships and the rent rebate, as well as the support to employers for sick pay costs above the normal level. The Government has also proposed a number of temporary tax reductions. It will be possible to grant deferrals of payments of tax to tax accounts for more reporting periods, and the level of the deferral charge will be reduced. To support various industries in local business, the possibility for an employer to make tax-free-gifts is being expanded and extended. Several of the industries hit hardest have many young employees. The Government has announced that employers' social security contributions for young people will be reduced in June–August 2021 to make it easier for young people to find work. The Government makes the assessment that there is a need for further measures for rural areas and is therefore proposing a reinforcement of the Rural Development Programme. Funding is proposed for Visit Sweden to promote the visitor industry and for Business Sweden to reinforce regional export advice services. The culture sector and sports movement have also suffered negative impacts. The Government has therefore proposed an extension of crisis support for culture and sports, and the provision of funding for several charge-financed museums and certain performing arts institutions. Additional funding is also proposed for media subsidies to enable continued distribution of printed newspapers throughout the country and to provide compensation for increased expenditure for operational subsidies. Event support consisting of a guarantee and expanded grants is also being introduced.

Children and young people risk being adversely affected in several ways by the restrictions introduced; examples include long periods of distance teaching and cancellations of leisure activities. The consequences have been particularly keenly felt by those who were in need of various forms of support even before the pandemic. There is a need to catch up on knowledge lost in all school years, and the Government therefore proposes additional funding for schools for extra teaching and other measures. For instance, the possibility for pupils in Year 3 of upper secondary school to take part in holiday school is expanded to avoid pupils leaving upper secondary school without sufficient knowledge. To contribute to good living conditions for all children and young people, the Government's proposal contains funding for municipalities to arrange free, infection-proof activities in school holidays and funding to support the work of the municipalities on creating more summer jobs for young people. Many households have incurred or risk incurring severe reductions of their disposable income on account of the economic downturn. The Government therefore proposes temporary supplementary allowance to reinforce the housing allowance for families with children.

Continued green economic restart

A temporarily expansionary fiscal policy is needed to bring Sweden out of the recession as soon as possible. The Government is therefore implementing extensive green investments, increased resources for welfare services and reductions of taxes on

jobs and business. At the same time, the transitioning opportunities in the labour market are being improved. The Government proposes allocating additional funding to the climate transition and to getting more people in work throughout the country.

The climate transition and work for biodiversity have priority in the recovery. Sweden aims to be a fossil-free pioneer. The transition to a fossil-free and circular economy is necessary to enable Sweden to achieve both its environmental and climate objectives and the Global Goals in the 2030 Agenda. Making investments in reductions of carbon dioxide emissions, reduced environmental impacts and additional circular solutions strengthens competitiveness and lays the foundation for new and future jobs. The Government is proposing a range of measures to continue the climate transition, including reinforced environmental compensation for goods transport by rail and funding to the regions for maintained public transport capacity during the pandemic. A further measure proposed is to go ahead with the next step in the introduction of a national ticketing system for all public transport throughout Sweden. To limit society's vulnerability as a result of climate change, funding is proposed for climate adaptation through knowledge-enhancing and preventive measures concerning climate change and its effects. The Government proposes a reinforcement of the county administrative boards' climate work at the regional level. Additional funding is proposed for support for solar cells. Action against littering and an initiative for nature-centred jobs for young people are proposed to safeguard our nature and provide more paths to jobs.

More people are to find work and share in the freedom that comes from having a job and their own income. At the same time as many people have lost their jobs, new jobs have been created and more will be created when the economy turns round. In a recession, however, the risk of getting stuck in long-term unemployment or leaving the labour force altogether can be particularly great for people who already had a weak foothold in the labour market, such as young people without upper secondary education and women born abroad. A broad expansion of places in education and training is now under way to enable people who are unemployed to seek new jobs that emerge. The Government is also proposing targeted education and training initiatives, including more vocational training in combination with Swedish for Immigrants and Swedish as a second language. The possibilities of studying part time alongside participation in the job and development guarantee have been expanded. In addition, funding is proposed to increase the number of summer courses at universities and other higher education institutions. The Government also proposes that additional funding be provided to enable more people who are far from the labour market to participate in action that leads to work, such as introduction jobs, extra jobs and matching services. Increased resources for matching services reinforce work on reforming Arbetsförmedlingen (the Swedish Public Employment Service). Increased resources for employment preparation activities are proposed by the Government so that unemployed people with disabilities will find work or start studies. The Government proposes that funding be allocated to the start-up of the state transition organisation that follows from the agreement between the social partners on employment protection and transition.

Sweden to be a secure country for everyone

Crime and the causes of crime must be combated. Serious crime hits all of society and has a particularly hard impact on people living in socially vulnerable areas. The Government proposes several measures to intensify action against criminal gangs and networks and to break the recruitment of young people to criminal activities. An expansion is proposed of previous reinforcements of the law enforcement chain with new additional funding for the Swedish Prosecution Authority, the Swedish Economic

Crime Authority, the Swedish Courts Administration, the National Board of Forensic Medicine, the Swedish Prison and Probation Service and the Swedish Customs. The Government proposes that additional funding be provided to spread the *Stop shooting* project to more places since cooperation between different actors has proved to be successful. The Government also proposes allocating funds to the Swedish Prison and Probation Service to strengthen work to prevent reoffending, in which there will be a special focus targeted on sentenced young adults. Some of this work will be done in socially vulnerable areas.

The ongoing pandemic has worsened the situation of women, children and LGBTQI people subjected to domestic violence and honour-related violence and oppression. To increase the support for victims, a reinforcement is proposed of the government grant to civil society. Additional funding is proposed for preventive work against domestic violence, especially men's violence against women, and to support young people who are subjected to this in their relationships. The pandemic has also had a negative impact on children and adults in socially particularly vulnerable situations. To alleviate the consequences of increased mental ill health among children and young people and of homelessness, a reinforcement is proposed of the government grants to civil society organisations conducting activities targeted at these groups.

Table 2.1 Proposals in the Spring Amending Budget for 2021 and the Extra Amending Budget for 2021 – Extended compensation in the area of health insurance, support for companies, culture and sport and other measures on account of the COVID-19 virus

SEK billion

	2021
Limit the spread of infection and carry out vaccination	
Reinforcement of resources for rapid vaccination	1.7
Deferred health care and additional costs	2.0
Continued large-scale testing and tracing	1.7
Extension of compensation for the sick pay standard deduction	0.8
Extension of exemption in sickness benefit on account of deferred health care	0.3
Extension of compensation to risk groups and certain relatives of risk groups	0.1
Extension of tax and charge exemption for free parking benefit	0.1
Extension of exemption from requirement of a doctor's certificate	0.1
Other measures for vaccination and limiting the spread of infection	0.3
Measures to alleviate the consequences of the pandemic	
Extension of compensation scheme for undertakings faced with turnover losses	6.2
Reinforcement of compensation scheme for undertakings faced with turnover losses affected by specific prohibitions	2.3
Extension of turnover-based support for sole traders	2.0
Extension of turnover-based support for trading partnerships	0.6
Extension of the rent rebate	3.0
Extension and increased costs for compensation for sick pay costs	5.1
Increased number of persons in short-time work	3.2
Reduced employers' social security contributions for young people in the summer months ¹	1.5
Reinforcement of Rural Development Programme	0.4
Extension of support for culture sector and sports movement	2.0
Event support	3.5
Holiday school	0.4
Measures for children and young people	0.4
Increased housing allowance for families with children	0.6
Other measures to alleviate the consequences of the pandemic	0.3
Continued green economic restart	
Extension of support for public transport	1.0
Compensation to forest owners with subalpine forests	0.4
Reinforcement of environmental compensation for goods transport by rail	0.2
More places in education and training etc.	1.3
Increased funding for extra jobs, matching services, etc.	0.4
Other measures for a powerful green restart	0.3
Sweden to be a secure country for all	
Further reinforcement of the judicial system	0.3
Funds for civil society and to counter men's violence against women	0.2
Other unavoidable items	2.5
Total	44.8

¹ Announcement of proposal in coming extra amending budget.

Source: Own calculations.