

**The Swedish Reform Programme for
Growth and Jobs 2008 to 2010**

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1 The Swedish Reform Programme for Growth and Jobs 2008–2010

1.1 Introduction

The Strategy for Growth and Jobs, the Lisbon strategy, is the EU's common framework for promoting long-term development with sustainable growth and full employment. It is about strengthening the Europe's competitiveness in a growing global economy and adapting to a climate and environmental sustainable development. Therefore it is important not only to lay the groundwork for macroeconomic stability, invest in education and research and develop new technology, but also to improve the innovation and business climate and deepen the internal market. Reform to improve the way in which the labour market functions in Europe, increase the labour supply and further strengthen social cohesion are other important components.

As part of the strategy, the Member States are to draw up national reform programmes showing how the strategy is being implemented at the national level. The Swedish Reform Programme for Growth and Jobs 2006–2008 and the Progress Report 2007 presented the Government's policy, which is to lay the basis for long-term sustainable economic development and welfare. In this Reform Programme for Growth and Jobs 2008-2010, the Government describes the next stage in continuing its policy to provide more people with the opportunity to obtain gainful employment, a salary and a sense of community and to create the conditions for continuing to improve welfare in Sweden.

High employment, more jobs and sound public finances safeguard welfare

The Swedish Government's overall goal is to restore the work-first principle and fight labour market exclusion. This will be achieved by measures and initiatives making it worthwhile to work, making it easier and less costly to take on new employees and making it possible for more enterprises to start up and grow. With this basis, more people will be given the chance to get a job and earn a wage. At the same time, the conditions for improving welfare will be created.

The Government's policy for sustainable high employment and reduced exclusion, together with a strong economy, has been successful. Sick leave and unemployment have declined and more people have obtained jobs. The situation has been particularly good for young people. The labour market and employment have also grown more strongly in Sweden than in most other EU countries.

The outlook for the world economy has, however, worsened during the summer and autumn with the growing unrest in the international financial markets. The ongoing financial crisis has proved to be deeper and more widespread than previously feared. This development has had a

dampening effect on households and businesses and worsened the outlook for growth in the world around us.

The weaker growth elsewhere in the world has affected Sweden, which is a small country dependent on trade. Export prospects have worsened, investment is decreasing and the purchasing power of Swedish households is declining. Against this background, the growth rate in Sweden in 2008 and 2009 is expected to be almost half that of 2007. A recovery is expected in 2010, which will gradually lead to rising employment and lower unemployment.

Sound public finances are a cornerstone of the Government's policy. Public finances continue to strengthen. This puts Sweden in a strong position in its work to continue to strengthen the policy for full employment and at the same time respond to the weaker economic development.

In 2008-2010, the Government intends to take further steps to reduce exclusion, raise employment sustainably and make the Swedish economy function better and thus lead to rising welfare. The aim of the Government's policy in this period is to help mitigate the economic downturn and reduce its impact on the labour market through tax relief for households and business, infrastructure and research initiatives and additional resources for the local government sector. The Government will implement reforms to improve Sweden's growth prospects by strengthening competition and improving the business and innovation climate. This will create favourable conditions under which the Swedish economy can make a rapid recovery when the global economy picks up again. The Government will therefore continue to implement structural reforms that make Sweden stronger as a nation of economic growth and strengthen welfare.

A policy for jobs and business development

To strengthen the work-first principle and increase the labour supply, the Government is proposing a third step in the in-work tax credit and a reduction in the central government income tax. The aim of the reform is not only to reduce the marginal effects for low- and middle-income earners and make it more worthwhile to work, but also to make it more worthwhile to change from part-time to full-time work and to invest in an education. With the three steps in the in-work tax credit, about 97 per cent of all those who work full-time will receive tax cuts of more than SEK 1000 a month.

Sharply reduced social security contributions for young people, intensified initiatives for newly arrived immigrants, and the introduction of a new sick leave process are some of the additional measures the Government is taking to strengthen the work-first principle.

The Government is also presenting a corporate tax package that means tax reductions of almost SEK 16 billion in 2009. Its aim is to strengthen the incentives for investment and for taking on new employees. The corporate tax will be reduced from 28 to just over 26 per cent and social security contributions will be lowered by one percentage point. Furthermore a number of simplifications will reduce the administrative

costs for businesses as part of the Government's goal of a 25 per cent reduction by 2010. The Government also proposes a higher education programme for training in entrepreneurship.

To strengthen the work on competition, the Government proposes allocating funds for such measures as the improvement of public procurement and work on conflict resolution in situations in which public and private business activities operate in the same market.

A policy to prepare Sweden for the future

The Government proposes an extensive programme for improving standards in preschools and schools. An expansion of the universal preschool to include three year olds, a childcare voucher system, a clarification of the preschool curriculum and strengthened continued professional development for preschool teachers and childcare workers are among the programme's provisions. Other measures proposed include a special initiative for mathematics, natural sciences and technology, an expansion of the pilot project for apprenticeships, an expansion of the professional development initiative for teachers and a strengthened initiative for vocational training.

Competitive research and innovations that can be put into production are important for growth. The research policy will consolidate and enhance Sweden's status as a research nation. An important initiative is therefore proposed to improve the quality of Swedish research and boost the Swedish business sector's competitiveness in order to contribute to economic growth. Extra resources will total close to SEK 15 billion over a four year period. The focus will be on research in medicine, technology and the climate.

A well-functioning infrastructure is a prerequisite for maintaining and strengthening Sweden's competitiveness. Thus the Government proposes an extensive short-term package that corresponds to an annual addition of more than SEK 5 billion a year in 2009 and 2010.

The Government has implemented a number of climate measures, such as a climate tax package, a 'climate billion' containing measures in energy efficiency, climate research, a network for wind power production, a sustainable harvest of biomass, international climate investments, a programme for sustainable cities and support for a second generation biofuel. A further sum of SEK 3 million is being set aside for climate and energy measures during 2009-2011. The main priorities are increased international climate investment, the commercialisation and spread of new energy technology, more efficient energy use and faster planning processes for the production of renewable electricity.

1.2 The Commission and the Council's recommendations to Sweden

Under Articles 99 and 128 of the EC-Treaty, the Council has been given the opportunity to make recommendations to individual Member States on the design of national policy. The aim is to strengthen the

implementation of the Lisbon strategy and fulfil the shared objectives in the strategy. These recommendations are decided by the Council after recommendation from the Commission.

In March 2008, the Council decided specific recommendations for Member States on the basis of Member States' 2007 Progress Reports and the Commissions' recommendation. Six countries, including Sweden, did not receive any formal recommendations but a number of areas to watch more closely were pointed out ("points to watch").

According to the Commission and the Council's assessment, Sweden should focus on:

- taking further regulatory measures to increase competition, notably in services,
- implementation and impact evaluation of recent reforms to increase work incentives,
- tackling youth unemployment,
- raising the employment rate of immigrants,
- reintegrating people on sickness-related schemes.

Strengthening competition

An innovative and dynamic business sector is of vital importance in keeping Sweden internationally competitive. A well functioning competition promotes renewal, increased productivity and more efficient production methods. Barriers to starting and developing businesses must be as low as possible. The Government has therefore taken and will take a number of measures to strengthen competition, not least in the services sector.

With the new Competition Act passed in June 2008, the Government has taken the initiative for tougher sanctions and thereby tighten compliance with the competition regulations to reduce serious infringements that are detrimental to competition and the economy. The Government Offices are currently preparing a proposal for a conflict resolution mechanism in the Competition Act aimed at handling conflicts that may arise in connection with public sector commercial activities in the market. The Government will also propose allocating funds to the Competition Authority to enable it to continue working with these issues.

The Government has for some time made special efforts to promote market entry and encourage private enterprise and facilitate the establishment of new actors in areas such as the health care system in order to increase competition and improve the freedom of choice in the public sector.

Furthermore, the Government has announced a re-regulation of the pharmaceutical market which involves abolishing the state monopoly and opening the market for competition. The aim is to achieve greater diversity, more efficient use of resources, lower prices on pharmaceutical products and improved access and service for the benefit of consumers and the public sector.

Main parts of the service sector are subjected to public procurement. Several studies indicate that current public procurement does not always function as it should. In order to promote a better functioning public

procurement, the Government proposes allocating funds for research on public procurement, procurement support, a stronger effort with respect to e-procurement and the Swedish Competition Authority's right to make motions in court cases about procurement.

To create the conditions for well-functioning competition in markets in the Swedish services market the National Board of Trade has been instructed to improve the information for foreign service providers..

Furthermore, the Government intends to initiate work to create a broader programme for increased competition. As a first step in this work, the Competition Authority has been given a remit to make a broad review of the competitive situation in Sweden, taking into account both existing and proposed measures to promote competition.

The Government is of the opinion that a well-functioning electricity market strengthens Swedish competitiveness and is of great importance to prices of electric power both for businesses and households. At the beginning of February 2008, the Government therefore appointed two negotiators with the remit of presenting proposals for solutions to minimise the risk of limitations on competition because of joint ownership in the nuclear power industry.

Strengthening the incentives to work and reducing exclusion

Strengthening incentives to work and reducing labour market exclusion is the Government's most important objective. To conduct an effective policy for sustainable high employment, the Government has designed a framework for employment policy. The purpose of the framework is to improve the Government's information base for decision-making in order to achieve sustainable increases in employment by monitoring developments in the labour market, identifying measures, and measuring the impact of the measures that have been taken. The aim of the framework is to provide answers to what the main problems in the labour market holding down sustainable employment are; what measures can be taken to best solve the problems and whether the measures carried out have been successful or whether to strengthen or change policy direction.

Both clearly defined priorities and the best possible decision-making information are of considerable importance in this work. Labour market developments are being monitored and assessed based on multiple indicators describing the labour market situation for the entire working age population. As the follow-up plan provides a complete picture of the labour market situation for everyone of working age, it is also possible to follow up if the policy has undesired effects.

To make it more worthwhile to work, the in-work tax credit was introduced in two steps and on the 1 January 2009 a third step reducing the marginal tax will be introduced. This will provide more incentive to work and, those who already have a job, particularly low- and middle-income wage earners, to work more hours. The in-work tax credit also means a reduction in the average tax for all wage-earners.

In autumn 2008 the Government will propose in a Bill reduced state income tax. The reduction in the state income tax is thus directed at the

lower part of the state income tax brackets to increase the incentives to work and raise the premium on education.

The Government has also made a number of changes to unemployment insurance. In 2008 the waiting period was increased an additional two days, from 5 to 7 days. The possibility of using benefits from the unemployment insurance fund as top-up in the event of part-time unemployment was limited to 75 days. In July 2008 an unemployment insurance contribution was introduced to enhance the link between benefits paid and the size of the premium.

The Government has also taken a number of measures to reduce incorrect payments in the social insurance system. The changes have been implemented in unemployment insurance and other systems and mean tighter rules and clearer regulatory frameworks for when and how compensation is to be given in the event of unemployment.

The Government's reform package to combat youth unemployment now under way aims to increase the demand for young workers and strengthen the incentives for young people to work or get an education. The Government proposes an additional cut in social security contributions and payroll taxes for young people beginning in 2009. The proposal means that the age group will be broadened to cover everyone under the age of 26 and a further reduction in social security contributions. In total the reduction means almost a halving of employers' contributions compared with full contribution. The Government is also providing funding for apprenticeship and vocational training to strengthen the links between education and working life.

The Government presented a comprehensive integration strategy in a special report in connection with the 2009 Budget Bill. In labour market policy, there is a proposal for a pilot project with establishment consultations for newly arrived immigrants in 2009 and 2010. The proposal means that the Swedish Public Employment Service will be responsible for drawing up an establishment plan for newly arrived immigrants as soon as a residence permit is granted. With the aim of further improving newly arrived immigrants' opportunities to get established in the labour force, increased resources for supplementing foreign higher education and for validating professional skills acquired abroad are also proposed.

The Government intends to come back to the Riksdag in the spring of 2009 with a proposal for governance, responsibility, design and financing of the reception of refugees and other measures to accelerate establishment in the labour market.

In July 2008 a new sick leave process – the rehabilitation chain– was introduced. It has fixed checkpoints for assessing work capacity in order to bring about a more active sick leave process with early measures so that better use can be made of an individual's capacity to work. To encourage and make a return to work easier for people who had been granted long-term sickness compensation before July 2008, special rules will apply that mean that people with long-term benefits will be able to return to work without a reassessment of their right to compensation. Sickness compensation will instead be reduced by half of the income the insured person receives from his or her paid job. Measures have also

been taken in parallel to encourage employers to employ people who have been on sick leave for a long time (see also section 4.2 and 4.3).

Does the policy have the intended effect?

The principal aim of most of the Government’s reforms is to increase sustainable employment. It is very difficult at this point in time to estimate what long-term effects the reforms will have. The Government attaches great importance to the follow-up and analysis of the outcome of implemented reforms on the basis of theoretical and empirical research.

The overall assessment of the long-term impact of the measures taken by the Government thus far and the proposed reforms in the 2009 Budget Bill are that employment will increase by 2.8 per cent, or 120 000 people, the number of hours worked by 4.4 per cent and GDP by 3.4 per cent (see table 1).

Table 1. Long-term effects of the Government's policy, percentage change

| | Employed ¹ | Employment | Hours worked | GDP |
|---|-----------------------|------------|--------------|------------|
| In-work tax credit and raised lower threshold state tax | 70 000 | 1.6 | 2.4 | 1.9 |
| Unemployment insurance | 10 000 | 0.3 | 0.4 | 0.2 |
| Labour market policy | 20 000 | 0.4 | 0.7 | 0.5 |
| Sickness insurance | 10 000 | 0.3 | 0.8 | 0.7 |
| Other ² | 10 000 | 0.2 | 0.2 | 0.1 |
| Total | 120 000 | 2.8 | 4.4 | 3.4 |

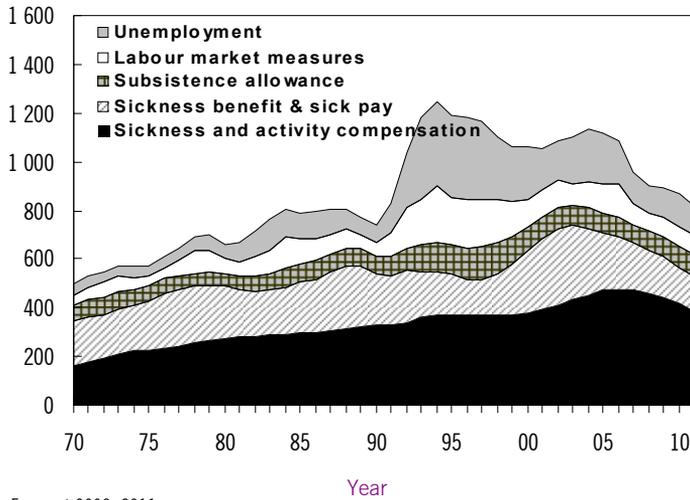
¹ The number of people employed is calculated on the potential employment level for 2006, which is estimated at 4 364 000 people.

² Includes the effects of the child raising allowance, the tax reduction for household services, the reduction in employers’ social security contributions, the reduction in social security contributions for young people and a general reduction in social security contributions.

Source: Ministry of Finance calculations.

Developments in the labour market and the reduction in exclusion may also be described in terms of the number of people receiving compensation from all the social security systems (see figure 1). The benefits referred to are unemployment insurance and benefits for participation in a labour market policy programme, sickness and rehabilitation cash benefits including sick pay, and sickness and activity compensation.

Figure 1. Number of people (measured as full-year equivalents) collecting benefits from specified benefit systems, thousands



Note: Forecast 2008–2011
Source: Ministry of Finance.

The number of people (measured as full-year equivalents) receiving compensation declined by 125 000 people from more than 1 084 000 people in 2006 to 958 000 people in 2007. This is by far the biggest drop in a single year for any year in the over 35 years for which statistics are available. The number of people receiving unemployment benefits or benefits for participation in a labour market policy programme declined by 97 000 people in all. Sick leave fell by 21 000 and sickness and activity compensation by 4 000 full-year equivalents.

1.3 The state of the economy in Sweden

After several years of high growth, the Swedish economy is now slowing down. During the first half of 2008, GDP growth slowed as a result of the moderation in the rate of growth in both external and domestic demand. The slowdown in household consumption has been relatively sharp compared with the high growth of the preceding year. Gross fixed capital formation has also fallen back after a long period of high growth figures.

The conditions for household consumption have worsened due in part to the continuing international financial turmoil. The Swedish stock exchange has turned down and inflation is still high, thus restraining the propensity to consume. Further more the increased uncertainty in the housing market hampers household consumption. The worsened conditions are reflected in the decline in household expectations to a point well below average. At the same time the fiscal policy stimulus means an increase in disposable income. This, combined with initially high household savings, is expected to help keep household consumption growth up.

For 2008 and 2009 weaker global growth is expected to mean a drop in demand for Swedish exports and a moderation in export growth. The sharp productivity slowdown in Sweden in 2007 and the beginning of 2008 has helped increase cost pressures, making it more difficult for Swedish firms to compete in international markets.

After five years of rising investment, the investment cycle is now considered to have peaked. Capacity shortages no longer pose a big problem for business and the financial unrest has led to tighter credit conditions, which makes firms defer investment to the future. Even in the Swedish construction sector, there are clearer and clearer indications that it has entered a quieter phase. In addition, stock building will slow after a steep rise last year. In 2008 industry is expected to adjust stock building in line with the weaker demand growth, and thus stock building is expected to reduce GDP growth.

Labour market developments in Sweden have been positive for a long time. But since late 2007, however, both the number of employed and the number of people in the labour force have begun to grow more and more slowly. This slowdown is expected to continue in the future and in 2008 employment is expected to increase by 1.2 per cent and thereafter remain unchanged through 2009. The labour force is, however, expected to continue to grow in the years ahead, due to the growing working age population and the reforms implemented (such as the in-work tax credit and the reforms in sickness insurance). As the labour force continues to grow at the same time that the employment rate becomes negative, unemployment in Sweden will rise from 6.0 per cent in 2008 to 6.6 per cent in 2010. As a result of the reforms implemented and a weaker economy, sickness absence will continue to decline.

Given the historical connection between labour shortages and wage increases in Sweden, wages will increase at quite a high rate throughout 2008. As resource utilisation declines, wages are expected to moderate markedly from 2009 to 2011. For the economy as a whole, it is estimated that nominal wages will increase by 4.1 per cent in 2007 and 4.3 per cent in 2009.

Inflation, measured by the consumer price index, is currently high, primarily as a consequence of higher interest costs and rising energy and food prices. Inflation is expected to remain high until the end of the year. In 2009, however, the effects of weak demand will prevail over accumulated cost pressure and firms are expected simply to be unable to raise consumer prices very much. As inflation and inflation expectations are expected to moderate in 2009, the Riksbank is expected to begin lowering interest rates and monetary policy will become more expansive.

Table 2. Demand and output and selected statistics, percentage change, unless otherwise stated

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|------------|------------|------------|------------|------------|
| Household consumption expenditure | 3.0 | 1.8 | 2.3 | 3.2 | 3.2 |
| General government consumption expenditure | 1.1 | 0.4 | 0.9 | 0.0 | 0.0 |
| Gross fixed capital formation | 8.0 | 3.0 | -0.8 | 4.4 | 7.5 |
| Change in stocks ¹ | 0.7 | -0.5 | -0.1 | 0.2 | 0.1 |
| Exports | 6.0 | 4.6 | 3.8 | 7.3 | 6.5 |
| Imports | 9.6 | 4.3 | 4.1 | 7.4 | 6.7 |
| GDP | 2.7 | 1.5 | 1.3 | 3.1 | 3.5 |
| Employed, 16-64 years | 2.4 | 1.2 | 0.0 | -0.2 | 0.9 |
| Unemployment, 16-64 years ² | 6.2 | 6.0 | 6.4 | 6.6 | 6.0 |
| CPI, year-on-year | 2.2 | 3.8 | 2.4 | 1.3 | 2.7 |

Sources: Statistics Sweden and Ministry of Finance.

¹ Contribution to GDP growth, percentage points.

² Per cent of labour force.

1.4 Preparation of the Swedish Reform Programme

The aim of the EU strategy for growth and employment, the Lisbon strategy, is to push forward with economic reforms, strengthen social cohesion in the Union and encourage sustainable development. At the meeting of the European Council in March 2005, Heads of State or Government decided that Member States are to submit three-year national reform programmes and annual progress reports. The reform programmes and the annual progress reports constitute an important basis for the Commission and the European Council in their examination of Member States' implementation of the Lisbon strategy.

The basis for the reform programmes and the annual progress reports is the integrated guidelines (see appendix 2). The integrated guidelines consist of the Broad Economic Policy Guidelines and the Employment Guidelines. The guidelines respond to the most important challenges ahead, such as globalisation, the ageing population, and environmental challenges. They also focus on reforms to promote competitiveness and economic growth as well as more and better jobs within the framework of the overall target of sustainable development. Accordingly, there is a strong link between the Lisbon strategy and the European Strategy for Sustainable Development, approved by the European Council in June 2006.

In November 2006 the then newly elected Alliance Government presented its Reform Programme for Growth and Employment 2006 to 2008 (The Swedish Reform Programme for Growth and Jobs, Comm.

2006/07:23). This Communication is the Government's reform programme for 2008-2010 and presents the Government's ongoing policy for sustainable growth and full employment.

Communication to the Riksdag

One important aim in establishing national reform programmes was to get the national parliaments and other national stakeholders more involved in the effort to implement the Lisbon strategy.

The Government's Reform Programme 2008-2010, like earlier reports, is being submitted to the Riksdag as a Government Communication at the same time that it is presented to the European Commission.

The Riksdag considered the 2007 Progress Report on the Reform Programme 2006-2008 in early 2008 (Riksdag Communication 2007/2008:127) and discussed it in plenary session on 23 January 2008.

Work in the Government Offices

The broad strategic policy approach taken by the Government to meet the Lisbon targets has involved most ministries in the Government Offices in the preparation of the Swedish reform programme. The chief responsibility for the work rests with the Prime Minister's Office.

Consultation with the social partners

The social partners play a key role in creating conditions for sustainable growth and full employment. The social partners were consulted as part of the preparatory work on the Swedish reform programme. The social partners (the Confederation of Swedish Enterprise, the Swedish Trade Union Confederation, the Swedish Confederation for Professional Employees, the Swedish Confederation of Professional Associations and the Swedish Association of Local Authorities and Regions) have, like previous years, contributed joint submissions to the Reform Programme for 2008 to 2010, presenting, among other things, results from negotiations.

The Swedish labour market has a high degree of organisation, a broad covering of collective agreements and a well-developed social dialogue. The social partners traditionally resolve many issues by means of collective agreements without central government intervention in the form of legislation or involvement of government agencies. The social partners also have a central role in implementing EC directives and guidelines through arrangements in collective agreements. This is also true of autonomous agreements the partners have entered into at the European level.

Regular consultations take place between the Government and the social partners on EU matters associated with employment and the labour market as well as other issues that affect 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.

Consultation with the civil organisations, social partners, public authorities and others

In June 2008 the Government invited some seventy civil organisations in Sweden, the social partners, industry bodies and government agencies for discussions on the implementation of the EU strategy for growth and jobs in Sweden, as well as on the organisations' work on Lisbon-related matters. These roundtable discussions took place on two separate occasions and a total of some fifty organisations participated. The organisations were also invited to present written submissions, which some fifteen organisations did.

Implementation at regional and local levels

Regional and local development efforts in Sweden are of great importance for the successful implementation of the Lisbon strategy. The national strategy for regional competitiveness, entrepreneurship and employment 2007–2013 (see section 3.3 *Regional competitiveness* and Chapter 5 The EC Structural Funds programme in Sweden for the programme period 2007–2013) and the regional development programmes drawn up by each county council are important instruments for increased interaction at the national and levels. Priorities are implemented in part through regional growth programmes and Structural Fund programmes.

The Government has established a national forum for regional competitiveness, entrepreneurship and employment to further develop the dialogue between 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 members of the Government.

This forum has met five times since spring 2007. Its April 2008 meeting specifically dealt with the implementation of the Lisbon strategy at the regional and local levels. In many places in Sweden, local and regional initiatives are under way to develop processes that more clearly integrate the Lisbon targets into regional and local development efforts. Three of these were presented at the meeting in order to spread ideas and knowledge that would provide inspiration to other regions

At the meeting it was noted that the cohesion policy is a powerful instrument for implementing the Lisbon strategy. The Structural Funds work promotes awareness of the EU and furthers exchanges between local and regional representatives in different parts of the EU. It also leads to a better understanding of the EU project.

It was evident from the discussion that the regional growth efforts form the basis for the EU work in the regions and help identify strengths and weaknesses in regional development. It was observed that there is a growing need for the exchange of experience between the regions and between regional politicians on good results from the regional growth efforts and Structural Funds work. The regional representatives

emphasised the importance of continuing the implementation of the cohesion policy in Sweden even after 2013.

At the same time, the Lisbon strategy has created a method and a system for following up programmes in the EU. Clear and measurable targets are fundamental for the legitimacy of the work and for follow-ups to be possible, as is done, for example in the Structural Funds programmes.

Participants could not emphasise enough the importance of political involvement in these matters and discussed the difficulty of getting citizens' support for the work. Among other things, there was a demand for the regional growth efforts and Structural Funds results to be reported at a political level. Much remains to be done to strengthen the citizen perspective and there was a demand for a link to the EU and political initiatives. The importance of using our EU membership in the best possible way was pointed out.

Organisation of the report

The report is divided into three main sections – macroeconomic policy, microeconomic policy and employment policy – in accordance with the Integrated Guideline's structure. Under each heading covering one or more guidelines, the policy's aims and orientation and the measures that the Government has under way or planned for the period 2008 to 2010 are reported.

2 Macroeconomic policy

The overall goal of the Government's policy is to achieve sustainable high employment and growth by getting more people into work and reducing exclusion. This is necessary in order to safeguard welfare and create good conditions for meeting Sweden's long-term challenges. This requires responsible economic policies based on measures taking a broad approach and having a long-term orientation and aimed at strengthening the conditions needed for economic growth.

Keeping public finances in good order is a cornerstone of the Government's policy. Sound public finances are necessary for stable economic development. Public finances are expected to continue to strengthen. This puts Sweden in a strong position in its work to continue strengthening the policy for full employment in the face of weaker economic development. Fiscal policy has been tight to prevent overheating and this has increased the structural surpluses in public finances. In the 2009 Budget Bill, the Government intends to ease the fiscal policy stance somewhat, while maintaining a responsible policy.

Important steps have been taken in recent years towards full employment and reduced exclusion. In Sweden's Reform Programme for Growth and Jobs 2006-2008 and in the Progress Report 2007, the Government reported a number of measures to make it more worthwhile to work and less costly to take on new employees. The forces driving enterprise and entrepreneurship have been strengthened. Estimates of the effects and evaluations of the measures called for in the points to watch for Sweden adopted by the Commission and the Council are being made in an ongoing and strengthened process. The results of this work are reported in detail in various contexts in this report.

Despite strong development, it is the Government's view that employment is still too low and exclusion too high. To meet the challenges facing Sweden in both the short and the long term, the Government has proposed a number of measures in the 2009 Budget Bill that will strengthen Sweden's opportunities for growth and lead to sustainable higher employment and GDP, improve conditions for knowledge in preschools and schools, strengthen welfare provision and put Sweden in a better position to meet the threat of climate change.

Achieving the goals set requires measures to be coordinated, have a broad approach and cover several areas. One important goal of economic policy is therefore to foster a consensus between macroeconomic policy, structural policy and employment policy.

2.1 Sound public finances for sustainable growth and welfare.

Guideline 1 – Securing economic stability for sustainable growth
Guideline 2 – Safeguarding economic and fiscal sustainability
Guideline 3 – Promoting an efficient allocation of resources aimed at economic growth and employment
Guideline 5 – Promoting greater consistency among macroeconomic, structural and employment policies

Sound public finances

Sound public finances are necessary for stable and credible economic development. They form a good basis for managing future challenges such as globalisation, the climate threat and an ageing population.

Even though Sweden does not participate fully in the EMU, it has, as a member of the EU, undertaken to follow the Stability and Growth Pact rules for public finances. Sweden's self-imposed national budget policy rules are completely in line with this regulatory framework and in several respects are more ambitious. The fiscal policy framework which Sweden like many other countries has introduced has clear targets and rules for fiscal policy.

A tight budget process, the surplus target for general government net lending, the central government expenditure ceiling and the local government balanced budget requirement are the principal components of the current fiscal policy framework. The Government continues to develop the framework. As part of this work, the Government has presented indicators that can be used to follow up the surplus target. The Government has also decided that a Government expenditure ceiling for the third year ahead will always be proposed in the Budget Bill. Another important objective is to further reduce the debt ratio. The Fiscal Policy Council established by the Government and charged with annually following up the basic fiscal policy objectives to see if they are being achieved submitted its first report in 2008.

Table 3. Public finances as a per cent of GDP.

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|------|------|------|------|------|
| Net lending | 3.5 | 2.8 | 1.1 | 1.6 | 2.5 |
| Consolidated gross debt | 40.6 | 35.5 | 32.2 | 28.3 | 23.8 |
| Central Government Expenditure ceiling | 29.6 | 29.5 | 28.8 | 28.5 | 27.5 |

Sources: Statistics Sweden and the Ministry of Finance

Stable prices

The Riksdag has given the Riksbank an independent mandate to maintain price stability. The Riksbank has defined price stability as an annual increase in the price level (the consumer price index, or CPI) of 2 per cent with a tolerance interval of plus/minus 1 percentage point. The Government supports the aim of monetary policy and endorses the inflation target.

Since November 2007, CPI inflation has exceeded 3 per cent, i.e., above the Riksbank's target interval. The Riksbank has raised the repo rate from 1.50 per cent in 2006 to 4.75 per cent in September 2008. The tightening of monetary policy is due to the underlying inflationary pressure, which is expected to rise in the next few years. The relatively high inflation rate can largely be explained by rising interest rates and higher world market energy prices and food prices.

The labour market reforms implemented by the Government are expected to stimulate the labour supply and help wage formation function better and thus contribute to lower wage rate growth and inflationary pressure. A number of the tax and subsidy changes implemented or announced in 2008 will have a direct effect on consumer prices. These changes include the abolition of the central government property tax, the introduction of a new central government dental care support programme, a higher carbon dioxide tax and a higher tax on tobacco and alcohol. Overall the changes are in principle anticipated to offset each other, and thus they will not affect inflation.

Tax and welfare measures for employment, entrepreneurial activity and growth

In order to boost economic growth and safeguard economic and fiscal sustainability, the Government's policies are aimed at making use of people's ability to work, improving incentives and reducing thresholds to getting back to work. The policies will make things easier for groups that have difficulty securing a place in the labour market and prevent people from becoming stuck in benefit dependence and weak income growth.

An innovative and dynamic business sector is crucial for Sweden's competitiveness and economic growth. A good business climate requires barriers to starting and developing businesses to be as low as possible. New and growing companies are also important for employment. More entrepreneurs must be willing to and venture to take on new employees.

In the 2009 Budget Bill, the Government made a number of proposals aimed at strengthening the work-first principle, i.e., increasing employment by making it more worthwhile to work, easier and less costly for employers to hire and creating better conditions for entrepreneurship and competition. The measures are described in more detail in chapter 3 Microeconomic policy and chapter 4 Employment policy.

Strengthening the work-first principle

The tax reduction for earned income, the in-work tax credit, is the most important measure in the Government's policy to strengthen the work-first principle. To get more people working and reduce exclusion, the income tax was reduced as a first step by some SEK 40 billion in 2007 and as a second step by another SEK 11 billion in 2008.

In October 2008, the Government will submit a Bill to the Riksdag proposing an enhanced and simplified in-work tax credit and a reduction of the state income tax. The proposals amount to SEK 15 billion in total and will enter into force on January 1, 2009. The aim of the in-work tax credit is both to lower the average tax rate so as to reduce thresholds to the labour market and to reduce the marginal tax rate for low- and medium- income wage earners so that it pays to work more, for example, to move from part-time to full-time work. The tax reduction is designed in a way that lowers the tax on wages relative to other income, which makes it more worthwhile to work.

The reduction of the state income tax on taxable earned income is directed at the lower end of the state income tax scale in order to strengthen the incentives for more labour input, more hours worked and higher productivity. The aim is also to increase the incentives for education. The percentage of wage earners paying state income tax is expected to decline from 18 per cent 2008 to 15 per cent 2009. The changes in the state income tax will also improve tax terms for entrepreneurs since the tax on returns will decrease.

A number of other measures will be taken to strengthen the work-first principle and lower thresholds into the labour market, such as simplifying the design of the in-work tax credit for those aged 65 and over (see section 4.2 *A longer working life*), upward adjustment of the age limit to 26 for the reduction in the total levy of social security contributions and the payroll tax for young people (see section 4.2 *Measures for young people*) and increased resources for wage subsidies for people with disabilities and reduced work capacity (see section 4.2 *Special measures for people with disabilities*).

A well-functioning labour market provides an essential foundation for the welfare of both the individual and of society as a whole. In order to improve the functioning of the labour market, work is under way in the Government Offices to design a framework for employment policy where problems and appropriate measures are to be identified and clear priorities established. In line with the views of the Commission and the Council (points to watch), the follow-up work to determine whether the measures taken have had the intended effect has been strengthened.

Better conditions for entrepreneurship and competition.

In recent years, the Government has implemented a number of measures aimed at improving the business climate in Sweden. A number of tax reductions have targeted business. The costs of employing have been reduced by lowering social contributions for young people, abolishing the special payroll tax for older workers, and introducing the new start,

well-again and step-in jobs. The wealth tax has been abolished and a tax credit for household work was introduced on July 1, 2007.

However, the business climate still has shortcomings. Therefore, the Government has proposed a number of tax measures in the 2009 Budget Bill, mostly in the area of corporate taxation, which strengthen the tax competitiveness of companies operating internationally. The measures also strengthen the incentives to invest and take on new employees, ensure future tax revenue, benefit entrepreneurship in close companies and result in simplifications for firms.

- The corporate tax rate will be reduced from 28 per cent to 26.3 per cent.
- The expansion fund tax for self employed persons will be lowered from 28 per cent to 26.3 per cent.
- The total levy of social security contributions and the payroll tax will be reduced by 1 percentage point.
- Tax rules for close companies will be more favourable. In Sweden high earned income is taxed more severely than income from capital. There are special rules for owners of close companies, the ‘3:12 rules’, governing how the distribution between salary and dividend should be made. The regulatory changes proposed in the 2009 Budget Bill primarily concern small businesses and mean that a larger part of the owner’s income may be taxed as capital income instead of earned income.
- The rules for tax deduction of equipment of low value will be made more generous.
- With respect to real estate, a tax relief is provided within the framework of the VAT. The upper salary limit, which determines when services are subject to withdrawal taxation will be increased from SEK 150 000 to SEK 300 000.
- Tax planning via partnerships through underpriced transfers and write-downs of shares in stocks will be stopped.
- Inappropriate tax planning through interest deductions in associated enterprises will be prevented by proposals which strengthen tax revenue without having a negative impact on the business sector.

In addition, a number of tax measures have been announced to reduce the administrative burden on businesses in various ways. The proposals are:

- enhanced possibilities to give group contributions to new companies,
- reduced reporting of information about tax allocation reserves,
- reduced information in income statements concerning cross-border payments,
- changes in the “Foreign Tax Credit Act”, which ensures the right of deduction in certain cases and clarifies the law, and
- abolition of the requirement for regular technical control of cash registers.

Increased effectiveness and efficiency in the public sector

The quality of public finances needs to be strengthened in order to meet future challenges such as globalisation, the climate threat and an ageing population. The composition of public revenue and expenditure should contribute to the most effective use of public funds possible.

The Government is vigorously pursuing various ways of countering abuse of the tax and social security systems. In addition, a broad reform is under way to lay the basis for a more efficient public administration, both in various activity areas and within the framework for the financial management of central government agencies. A number of small agencies have been disbanded and work on creating a more efficient agency structure is under way in a number of areas. The Management Committee appointed by the Government in 2006 to carry out a review of the tasks and organisation of central government administration will submit its final report at the end of 2008.

To provide support to the municipalities, the Swedish Association of Local Authorities and Regions (SKL) in cooperation with the Council for Local Government Analysis (RKA) has produced a set of activity measures concerning resources, scope and quality that has functioned well in various municipal activity areas. The intention is to measure each activity area examined after about 1½ years to see what improvements there have been. In the beginning of 2008, almost 160 municipalities participated in the project. In order to reach the goal of 200 participating municipalities, the Government has allocated an additional SEK 1.2 million. The central government has contributed a total of SEK 13 million for 2007 through 2009 to its financing.

The development programme “Measure to lead” is being implemented by county councils. Out of the funds for the benchmarking project announced by the Government, SEK 2 million have been allocated for the county councils' part.

Measures to fight fraud and overuse

With the support of the Delegation on measures against incorrect payments from the social insurance systems (the FUT delegation), the Government has worked hard to minimise incorrect payments from the social security system. Likewise, the Government, with the support of the Tax Authority, has worked hard to stop leakage on the income side caused by undeclared labour and other forms of tax evasion

The FUT delegation submitted its report, Right and fair, Measures against incorrect payments from welfare systems (SOU 2008:74) to the Government in the summer of 2008. The Government notes that the majority of the welfare systems depend on information about the applicant's income. The Government will therefore consider how to improve conditions for establishing correct information about an individual's income. In this connection it is also important to take into account the impact on the employers' data reporting burden.

The Government's efforts to fight undeclared labour and tax evasion and to reduce incorrect payments from the welfare systems will continue. The management of the government agencies concerned will be

strengthened. This will be accomplished in part through a collaborative effort extending over several years by the Swedish Social Insurance Administration, the Public Employment Services, the National Board of Student Aid and the Tax Authority. Furthermore, supervision of the welfare systems will be strengthened and developed.

The requirement for approved cash registers in cash-based businesses to come into effect in 2010, will help combat undeclared labour and other forms of tax evasion. According to the Swedish Tax Agency, the regulations on special tax controls in certain sectors, which mean that restaurants and hairdressers must keep a staff ledge, have been extremely effective. The Government intends to evaluate the system and in that connection, study whether it should be expanded to cover the construction and laundry and dry cleaning sectors and if so, how this should be done.

2.2 Well-functioning wage formation

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| Guideline 4 – Ensuring that wage developments contribute to macroeconomic stability and growth |
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The relative unit labour cost (measured in both national and common currencies) has fallen since the beginning of the 1990s.

The Government is of the opinion that the 1997 Agreement on Industrial Development and Wage Formation and a high level of confidence in the Riksbank's inflation target have a normative effect on wage formation. Wage growth in 2007 was relatively low, but increased towards the end of the year. As a result of the relatively high levels agreed in the agreements at national level, the wage growth rate in 2008 is expected to be about one percentage point higher than in 2007. In 2009 wage growth can be expected to moderate somewhat as resource utilisation in the labour market is then estimated to be less strained.

The main responsibility for wage formation in Sweden rests with the social partners. In 2000 the National Mediation Institute, a central government agency, was formed. The Institute's mission is to promote an efficient wage formation process with the goal of avoiding disputes in the labour market. The outcome of the 2007 wage negotiations is considered satisfactory. A limited number of conflicts can be related to the wage negotiations process.

During the past year, the Government decided on a number of measures aimed at motivating participation in the labour force. In this way there is less risk of wage and inflation driven bottlenecks in the labour market. The in-work tax credit is an important measure in this connection. The Government has also decided on a number of measures to make labour market policy more effective. Labour market policy resources are more clearly focused on matching jobseekers with job vacancies than they were previously. Furthermore, the increased self-financing of the unemployment insurance fund is expected to further strengthen the conditions for a well-functioning wage formation in future.

3 Microeconomic policy

Growth and vitality in the Swedish economy are dependent on a good business climate, conditions that encourage innovation, and high quality education and research. Sweden is known as a leading knowledge and research nation, for a dynamic business sector in which businesses and entrepreneurs have been given scope to work in beneficial conditions. Good economic growth requires not only, strong competitiveness and a well-functioning infrastructure but also competitive research and innovation that can be put into production. This is a precondition for full employment and growing prosperity. The Government is making a conscious effort to integrate environmental and business policy in order to continue to advance long-term sustainable development.

The Government is now investing more than ever in Swedish research and development. In autumn 2008, the Government will submit a Research and Innovation Policy Bill to improve the quality of Swedish research and boost the competitiveness of the Swedish business sector. The focus of the research initiatives will be on medicine, technology and the climate, which are areas of strategic importance to Sweden.

A well-functioning competition is important to businesses, consumers and society in general. Competition may in some cases be weak, resulting from the existence of natural monopolies or economies of scale in production. Competition problems may also occur if companies in a market collude and create cartels in order to divide the market among them or agree on prices. Well designed competition legislation and effective supervision are therefore important. According to the assessment that the Commission and the Council made of Sweden's implementation of the Lisbon Strategy, competition, particularly in the services sector, is an important area for Sweden to continue to monitor (points to watch).

The Government is implementing a range of measures to strengthen effective competition in the Swedish economy. The new Competition Act (2008:579), which enters into force on 1 November 2008, includes tougher sanctions against serious infringements which damage competition and the economy. The Government is also working to improve market access by increasing the scope for individual initiatives and private enterprise, in particular in the field of welfare. There are also a number of measures being taken to strengthen competition in the public procurement process and make it easier for SMEs to participate in public procurement. The Competition Authority has been given a remit to make a broad review of the the state of competition in Sweden, taking into account both existing and proposed reforms to promote competition.

An innovative and dynamic business sector, with a good ability to adapt, is key to keeping Sweden competitive internationally. Since it took office, the Government has implemented a number of measures aimed at improving the conditions for entrepreneurs in Sweden. A range of tax cuts have been directed at enterprises and it has become simpler and less expensive for companies to take on employees. For example, employers' social security contributions have been lowered. The Government has also taken a number of measures to improve regulation.

In order to increase young people's interest in and knowledge about entrepreneurial activities, the Government will propose investment in training in entrepreneurship in higher education. Other important components in a better business climate are corporate financing and risk capital. A committee of inquiry will present a comprehensive approach to central government programmes for corporate financing in late 2008.

Economic growth and the environment should be reconciled and economic growth must take place with as little negative impact on the environment as possible. The great political challenge is to reach broad international agreements limiting the emission of greenhouse gases at the same time that developing countries' rightful need of economic development is taken into consideration. It is essential to bring about international solutions but at the same time Sweden must take responsibility and also introduce measures nationally. The Government's policy therefore aims to reduce emissions at the lowest possible costs to the economy based on the polluter pays principle. Thus Sweden can lead the way in the global adjustment to a climate efficient economy. At the same time this will create both environmental benefits and growth in Sweden.

3.1 Enhanced initiatives for competitive research

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| Guideline 7 – Increasing and improving investment in research and development |
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| Guideline 8 – Facilitating all forms of innovation |
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The Government's goal is to strengthen Sweden's position as a research nation, and enhancing competitiveness in order to contribute to higher economic growth and prosperity in Sweden. Initiatives focusing on high-quality research that is innovative and internationally competitive are important.

In the Lisbon Strategy the EU has agreed on a target for research and development investment for each Member State equivalent to three per cent of that Member State's GDP, of which two per cent should come from the private sector.

The Swedish business sector invests substantial resources in research and development from an international perspective. In 2008 R&D investment by companies with 50 employees or more amounted to 2.86 per cent of GDP. Sweden's public R&D investment is estimated to correspond to 0.94 per cent of GDP in 2008. Thus, Sweden's total investment exceeds the agreed EU objective.

Research and development

In autumn 2008, the Government will submit its Research and Innovation Policy Bill proposing forceful investments in research and innovation in order to improve the quality of Swedish research. This means that central government support will increase gradually from 2009 and will reach a level that is SEK 5 billion higher in 2012, including the announced

increase of SEK 400 million from 2009 in the 2007 Budget Bill (Govt. Bill 2006/07:1). The Government estimates that with the additional resources of the Research and Innovation Policy Bill, public sector research funding will be equivalent to one per cent of GDP.

The Government intends to increase the appropriations for research and research education at higher education institutions. The scientific research councils and the National Agency for Innovation Systems (Vinnova) will also get substantial increases in their appropriations. The Government also intends to fund research within medicine, technology and the climate, which are areas of strategic importance to Sweden. Furthermore, the Government intends to increase the funding of research infrastructure and to strengthen the existing structure for stimulating innovation and promoting targeted application of research results produced at the higher education institutions. Additional resources will be made available to institutions of higher education by the abolition of the fee for external funds received, the 'VAT on higher education'.

Innovation and commercialisation

The Swedish innovation system gets top ranking in a number of innovation measurements, such as the European Innovation Scoreboard 2007. However, the Swedish system is unbalanced, with excess weight on factors that build innovative capacity in relation to making use of research results. Thus, innovation is an important theme in the forthcoming Research and Innovation Policy Bill. This theme finds expression in the design of a number of new instruments for the Swedish research system which are aimed at contributing to developing and strengthening internationally attractive research and innovation environments. Another manifestation is that a number of specific innovation issues will be dealt with, which are important to the development of the business sector and society as a whole.

An important part of this work is to strengthen the industrial research institutes as key actors. A strengthening means that the restructuring process initiated by the higher education institutions will be completed (see the Swedish Reform Programme for Growth and Jobs – Progress Report 2007). The industry will be given an active role in this process.

Protection of intellectual property rights

The significance of intellectual property rights for economic growth in society has increased substantially. These rights are a prerequisite for investment in innovation and creativity. If we are to meet the challenges of the global knowledge-based economy, we must further improve the management of intellectual property rights. The Government therefore gives high priority to strengthening the protection of these rights. Many measures have already been taken in this area, and more are under way.

In spring 2008 a proposal that Sweden accede to the Singapore Treaty on the Law of Trade Marks was drawn up. The Treaty prohibits arbitrary and unjustifiably burdensome requirements by the authorities, making it easier for anyone wanting to register a trademark and contributing to

greater legal certainty. This issue is being studied by the Government Offices.

On 1 May 2008, the Patents Act's provisions on translation of European patents, i.e., patents granted according to the European Patent Convention (EPC), were changed. The changes imply a significant relaxation of the translation requirements. The changes were based on the London Agreement. It is a voluntary agreement among countries which are parties to the EPC. On 1 August 2008 the possibility of applying for patents to the Swedish Patent and Registration Office electronically was introduced. Both these reforms make it simpler and less costly for firms to protect their inventions, thus contributing to further stimulating investment in research and development.

Copyright has become more important with the emergence of the information society, not least for cultural and creative businesses. Copyright encompasses all media (newspapers, magazines, literature, TV, radio and multimedia), music and films, a large part of the IT-sector and so forth. The Government has initiated business sector discussions between stakeholders, including rights holders and Internet Service providers, in order to contribute to the development of user friendly business models for online distribution of creative content and at the same time reduce copyright infringements.

The Government has appointed an inquiry chair to review certain provisions in the Copyright Act, namely the transfer of copyright and some issues concerning collective licences. The inquiry will also review the Copyright Act in its entirety with respect to editing and language. The conclusions will be reported with respect to the first two issues no later than 31 October 2009 and on the remaining parts on 31 October 2010.

In light of the recommendations and proposals put forward in the report Patents and Innovations for Growth and Welfare (Patent och innovationer för tillväxt och välfärd, SOU 2006:80), the Government is considering a request to the Swedish Patent and Registration Office to implement stronger efforts to improve information and advice to SMEs in the area of patents. The Government also has under consideration a request to the Office to initiate work aimed at developing training at the university level to be offered at the colleges of technology and the faculties of law and economics of the universities.

3.2 A sustainable information society for all

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| Guideline 9 – Facilitating the spread and effective use of information and communications technology |
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Electronic communication and IT are important to the development of society. Accessible and robust electronic communications with a high transmission capacity are basic preconditions today for sustainable growth, employment, enterprise and efficient administration. The goal of the Swedish IT policy is for Sweden to be a sustainable information society for all. Sustainable growth requires everyone to participate. This

requirement includes gender equality. The aim of the measures taken under the information society policy is to create good conditions for well-functioning markets and effective competition. Households and businesses should have access to an efficient, robust and secure infrastructure and the best possible supply of communication services.

An increased use of electronic services, for example through well developed e-trade and eGovernment, affects the structure of the business sector through the opportunities provided by the international market. Electronic services are also an important tool in the simplification of regulations, which benefits SMEs, and improves the efficiency of government agencies, municipalities and county councils.

Swedish companies have a high level of IT maturity compared with other European countries. Ninety-six per cent of companies with 10 or more employees use computers and the Internet. The number of persons having access to the Internet at home is also relatively high. According to statistics from 2007, 84 per cent of people aged 18 to 74 had access to the Internet at home.

In 2007, the Government appointed a commission of inquiry to evaluate the broadband support that was available until 31 December 2007 and determine whether further government measures to promote broad band expansion were warranted. The commission presented its findings in the report Broadband for the Whole Country (Bredband till hela landet SOU 2008:40), which was submitted to the Government in April 2008. The report concluded that the support had contributed to broad band expansion in rural areas which would not have taken place otherwise and that it was cost-effective for society. A large part of Sweden's broad band has a high transmission capacity; 53 per cent of all contracts are for connections with a transmission capacity of up to 2 Mbits/s or higher. The presence of IT infrastructure with high transmission capacity has improved in urban areas in 2007 according to the reports by the National Post and Telecom Agency (PTS).

The Frequency Inquiry (Frekvensutredningen) (SOU 2008:72) has analysed the requirements for wireless broad band connection in areas where it is currently unavailable. The Inquiry has proposed more effective and more appropriate regulations for awarding licences with market-based allocation of frequencies and procurement where the market fails. Good access to electronic communication networks, both wireless and wired, is primarily for the market to promote. It is therefore important that the Government's measures do not inhibit the market's willingness to invest.

The development of eGovernment is also an important instrument for spreading IT and communications technology. One basis for the Government's strategy for the development of eGovernment is that government agencies can contribute to a common IT infrastructure, which ultimately benefits individuals and enterprises. By increasing the supply of electronic services for businesses, the public sector can also contribute to more efficient enterprises.

The Government presented an action plan for developing eGovernment in 2007. The action plan will serve as an instrument for coordinating national public administration with the help of IT. The Government intends to use the plan for improving the coordination of IT use in

society and of state IT investment. Government agencies will play an increasing role in facilitating the distribution and use of IT in electronic communication at the regional and local levels.

The PTS has reported statistics showing the expansion of mobile communication networks. All licence holders subject to a coverage requirement meet them, in some cases with a large margin. Both with respect to GSM and 3G, the operators covered between 98 and 99 per cent of the population on 1 October 2007. The largest areas without satisfactory mobile network coverage are located in the interior of northern Sweden.

The provision of services has been expanded to mobile broad-band services on a large scale in 2007. In spring 2008, the PTS auctioned out radio frequencies, which can be used for mobile telephony or mobile broad band and thus give consumers better access to mobile communication services with high capacity. The outcome was that five operators will split the frequencies distributed. The licences are neutral with respect to techniques and services, which means that there are no requirements as to what technique should be used or what services should be provided.

On 19 December 2007, the Government decided on broadcasting capacity for TV broadcasts in the UHF band with other communication services as a result. The PTS has been requested to produce a planning solution to make it possible to issue licences for the frequencies under the Electronic Communications Act. Sweden is one of the first countries in the world to decide how these freed-up TV frequencies, –‘the digital issuance?’– is to be used. This decision is of great importance to the communications sector, since the frequency range is relatively broad and has particularly good properties for supplying mobile services with good geographical coverage. Licences for this frequency area could be issued in 2010.

3.3 Open well-functioning markets in a sustainable economy

Guideline 10 – Strengthening the competitive advantages of the industrial base

Guideline 12 – Expanding and deepening the internal market

Guideline 13 – Ensuring open and competitive markets in Europe and elsewhere

Open, well-functioning markets and a well-functioning competition are necessary conditions for creating a dynamic economy able to meet current and future opportunities and adjustment requirements. It is also the basis for the Government’s policy globally, in the EU and nationally. Ensuring open markets both inside and outside the EU is the basis for Sweden’s actions in the EU and in the WTO. The internal market is the EU’s principal asset in a global economy and it contributes decisively to employment and economic growth.

The Government established the Globalisation Council in December 2006. The Council's remit is to produce background material for a comprehensive analysis of how Sweden could benefit as much as possible from globalisation. The Globalisation Council will conduct a broad discussion on the challenges and opportunities that globalisation presents for Sweden with an emphasis on measures that makes Sweden more competitive and attractive. The Council will be led by the Minister for Education and Science and will include representatives from academia, the social partners, the public sector, the business sector and culture.

It is the Government's goal to create sustainable growth through new and growing enterprises and new jobs, both in existing sectors and new potential growth areas. Competition policy must contribute to efficient, open and well-functioning markets that stimulate and open the way to new ideas, companies and products. The policy is to increase the scope and promote new actors and more freedom of choice in general and in the area of welfare in particular. Industry policy is to facilitate and promote the transition to a more sustainable business sector able to meet the increasingly stringent environmental and climate requirements. This will be achieved through horizontal and cross-border measures in close dialogue with the business sector.

Ensuring open and competitive markets in Europe and elsewhere

One important basis of the Government's policy at both the national and international level is to remove barriers to market entry and to ensure competition on equal terms. The basis for sound competition is a restrictive approach to the use of public support of business. The market must have full confidence in the regulatory framework and in supervision.

More extensive trade and economic integration is one of the strongest engines of economic growth and increased welfare. Safeguarding and advancing the work on opening markets both in the EU and elsewhere is a fundamental part of Sweden's trade policy. Sweden has actively pursued this policy in WTO work, in negotiations on free trade agreements and in work on the EU market entry strategy and elsewhere. A forward looking policy for more extensive free trade and external openness is fundamental to promoting economic growth, the creation of new jobs and competitiveness in the EU. However, external trade has thus far played a minor role in the EU growth strategy. It goes without saying that the EU growth strategy must have a clear external dimension that takes external trade into account and this is an issue advocated by Sweden in the EU.

Sweden in an efficient internal market

The Government has made the correct implementation and application of EC law and effective administrative cooperation a priority in order to bring about a well-functioning internal market for the benefit of business and consumers. The Commission's Communication A single market for

21st century Europe (COM(2007) 724) is of central importance to the Government's work in the internal market area. In July 2008 Sweden had an implementation deficit of 0.8 per cent and thus it continues to meet the EU's joint objective for implementing directives. Sweden therefore meets the objective of an implementation deficit of one per cent by 2009. The implementation of directives is a Swedish priority.

In order to improve the functioning of the internal market in Sweden and the free movement of goods and services, the Government in March 2008 appointed an inquiry chair to look into the horizontal provisions in the area of goods and services, the Inquiry on the Internal Market (Inre marknadsutredningen, UD 2008:01). The point of the Inquiry is to submit proposals for simplifications of and improvements and additions to the horizontal national regulations that are relevant to the free movement of goods and services and to contribute to the implementation of and adaptation to the new legal instruments included in the 'Goods Package' and the Services Directive. Moreover, the Inquiry is to lead to a better knowledge of the internal market's function and a better application of internal market legislation at both central government and local government agencies. The Inquiry is to submit its reports in May 2009.

The National Board of Trade has produced a guide for government agencies to use in their application of EC law, primarily on the internal market. The Guide is meant to act as a reference for the agencies in applying EC law. The guide includes a check list of questions that ought to be posed in a review under EC law.

An effective and harmonised implementation of the EU services directive is of key importance in creating a common market for services in the EU. The Government's ambition is to implement the directive on time, effectively and in a manner guaranteeing ease of application for service suppliers. In autumn 2007 an inventory of regulations was made in order to determine the licences or other conditions required for professional practice and to abolish unwarranted requirements. The result of the inventory and proposals on how different parts of the Services Directive are to be implemented will be presented in a ministry memorandum to be sent out for comment in autumn 2008.

Work is under way to establish contact points and prepare for supervisory cooperation among authorities in all Member States. The Government has requested the National Board of Trade, the Swedish Consumer Agency and the Swedish Agency for Economic and Regional Growth to develop a contact point, which is to start operating gradually in 2009. It is the Government's intention to submit a Bill to the Riksdag in spring 2009.

To further promote the exchange of goods in the internal market, it is of great importance to adapt Swedish law to the Goods Package in EC legislation (Regulation 765/2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93 and the Decision on a common framework for the marketing of products, and repealing Council Decision 93/465/EEC). The adaptation to the Goods Package includes a general review of legislation. It has to some extent begun already with the work of the Inquiry on the Internal Market (ToR

2008:24) and it will continue throughout 2009. The adaptation to EC Regulation No 764/2008 of the European Parliament and the Council laying down procedures relating to the application of certain national technical rules to products lawfully marketed in another Member State and repealing Decision No 3052/95/EC will be dealt with promptly since it is to be implemented as of May 2009. The remit on a contact point mentioned above also applies to this Regulation.

As was announced in Sweden's Progress Report 2007, the Government submitted a communication on standardisation to the Riksdag in April 2008 (Govt. Communication 2007/2008:140 – The Importance of Standardisation in a Globalised World. The communication deals with the central government's commitments in the area of standardisation and the communication's point of departure is that an accelerating globalisation process is changing the conditions for standardisation. Among the measures mentioned in the communication are better working methods and the establishment of a communications plan, in-depth efforts in the standardisation of innovations, the participation of SMEs in standardisation and their access to information.

A competitive and sustainable business sector

The climate challenge is one of the Government's most important priorities. The Government's industry policy is to create not only better conditions for the Swedish business sector's transition to make it able to meet the increasingly stringent environmental and climate requirements but also better opportunities to make use of the growth potential offered by these developments. It is important that the transition takes place in consultation with the business sector about the appropriate measures.

The approach of such a policy should be holistic and horizontal and include measures of a general and cross-border nature. Demand for products and services reducing the threats to the environment and the climate is increasing sharply. This increased demand offers new opportunities for the business sector to develop and market new green technologies and green products and services. It is also important that others can use these new products and services for their own adjustment to sustainable growth. Companies should be provided with conditions that enable them to conduct their business so that they are compatible with sustainable growth and profitable at the same time.

The development and spread of new technology are crucial in making the transition of the business sector possible. The Government is currently making considerable effort to promote the development of the Swedish environmental technology sector. These efforts are made within the framework of the 'climate billion', in the announced Research and Innovation Policy Bill and by way of specific measures to promote the development of second generation biofuels and other energy technology. Efficient economic instruments, which provide incentives to act in an environmentally friendly way, are also involved (Environment and climate policy for sustainable development).

More competition with more players and greater freedom of choice

The Government is also working to improve market access by increasing the scope for individual initiatives and private enterprise in general, particularly in the field of welfare. Increasing the number of providers with different focuses increases individuals' chances of getting their needs and wants met. This helps not only increase entrepreneurship, but also exploits workers' commitment, creativity and new ideas.

At the end of February 2008, the report, Being able to choose – an act on free choice systems (SOU 2008:15) was submitted to the Government. The report focuses on proposals leading to increased freedom of choice and increased influence for elderly and disabled people with respect to health care, social services, support and services under the Social Services Act. Work to draw up a Bill is under way in the Government Offices. The new Act is expected to result in large growth potential in health care and social services.

An important precondition for establishing better competition in some parts of the services sector is improving public procurement since public procurement covers a large part of the country's total services sector. The Government has proposed a number of measures to improve competition in public procurement. Increased research on competition and public procurement is one of these measures. A priority for the Competition Authority, within the framework of its remit in the procurement area, is to continue to increase the opportunities for SMEs to participate in public procurement as this strengthens competition. In the 2008 Budget Bill, the Government has increased the Competition Authority's appropriation by SEK 5 million annually beginning in 2008 for this task. The Competition Authority reports regularly on current and past measures.

For the application of procurement rules to be fair, there need to be legal remedies and sanctions that work. The Government Offices have begun work on transposing the changes resulting from the EC 'remedies' directives into legislation. In this connection a review of the national regulations on supervision is also being carried out. The Government plans to submit a Bill in 2009.

Included in the work under way in the Government Offices is taking a position on the remedies to cover procurement that is not governed by the public procurement directives. The work will also consider the issue of the Competition Authority's right to sue and the issue of defiance of the courts. The preventive effect on observance of the rules that the Competition Authority's right to sue is assumed to have will benefit all businesses, but particularly smaller firms with limited opportunities to bring a suit to court. A Bill is planned for presentation in 2009 (see more about procurement in section 3.5).

The Government intends to re-regulate the pharmaceutical market with the aim of achieving efficiency gains, better accessibility for consumers, increased competition, and continued safe and appropriate use of pharmaceutical products. On 1 April 2008 an inquiry appointed by the Government submitted its interim report, Retail trade in certain non-prescription medicines (SOU 2008:33) with proposals that would allow for the sale of a limited range of non-prescription medicinal products at locations other than pharmacies. The report is currently under preparation

at the Government Offices. In order to ensure that the Government's objective for the re-regulation of the pharmacy market is achieved, the Government has given a remit to the Swedish Competition Authority and the Swedish Consumer Agency to monitor and analyse the pharmacy market during the period of re-regulation.

The new District Heating Act that came into force on 1 July 2008 will help increase accountability of heating markets and strengthen the position of customers. At the same time it provides a basis for harmonising energy market regulations. In the autumn the Government intends to appoint an inquiry with the aim of a closer study of the conditions for a statutory third party entrance to the district heating network on non-discriminatory terms. If deemed appropriate, the inquiry will also present a proposal for a regulatory framework for third party entrance. The aim is to further strengthen the position of district heating customers and bring about lower district heating prices, a more efficient heating market and a better environment.

The Government intends to instruct the National Board of Trade to improve the information to foreign service providers in order to strengthen competition in Sweden's services market.

Furthermore, the Government intends to initiate work to create a broader programme for increased competition. As a first step in this work, the Competition Authority has been given an expanded remit to make a broad review of competitiveness in Sweden, taking into account both existing and proposed measures to promote competition.

An effective implementation of competition legislation

Effective regulatory frameworks create the conditions for more businesses to be established and grow. As markets change and develop, Sweden must ensure that it has modern competition legislation which is applied effectively. On 12 June 2008, the Riksdag adopted a new Competition Act (Govt. Bill 2007/08:135). The new Competition Act (2008:579) will enter into force on 1 November 2008. The Act includes tougher sanctions against serious infringements which damage competition and the economy. The rules on financial penalties have been made clearer in order to make it possible to identify particularly serious infringements. It will now be possible to impose trading prohibitions on senior managers in cases of particularly serious cartel infringements. Tougher sanctions create important incentives for companies to respect the competition rules, something that will improve the market situation for both new and existing companies in markets where competition has not been functioning well.

Furthermore, it is the Government's view that it is important to solve the problems which arise when public actors engage in commercial activities that distort competition in the market and displace private business operations. In order to create the necessary conditions for more small enterprises to grow and do business, there is a proposal to supplement the Competition Act with rules that will allow the Stockholm City Court, on application from the Swedish Competition Authority, to prohibit the state, municipalities and county councils from conducting

business activities that distort the conditions for effective competition. The Government intends to present a proposal to the Council on Legislation in autumn 2008.

A well-functioning electricity market strengthens Sweden's competitiveness and has considerable impact on price developments for electric power for companies and household. In the beginning of February 2008 the Government appointed two negotiators to examine the prospects for minimising the risks of limitations to competition caused by co-ownership of nuclear power stations and to look for solutions to that effect. There are to be regular reports on this remit and it is to be concluded no later than 31 January 2009.

Regional competitiveness

Sweden's growth is nothing other than the sum of the growth created in all areas of the country. The potential for growth across the country can be boosted by increasing local and regional competitiveness and creating a better climate for entrepreneurship, innovation and investment. The policy for regional growth is based on giving each region influence and responsibility, which provide them with opportunities for growth based on their own circumstances. All of Sweden is not in the same phase of the business cycle with the same labour market and the same business sector structure. The policy must therefore be adapted to regional circumstances. The regional growth policy is conducted in all parts of the country, sparsely populated and rural areas, small and medium-sized towns and metropolitan areas, in order to contribute to national growth.

Innovation and renewal, skills supply and improved labour supply, accessibility, and strategic cross-border cooperation are the four priorities guiding regional development work in accordance with the national strategy for regional competitiveness, entrepreneurship and employment 2007–2013. The total allocations of national regional growths funds and EU Structural Funds were SEK 3.8 billion for entrepreneurship and innovative environments, SEK 400 million for skills provision and increased labour supply, SEK 160 million for regional expansion and a developed information society, and SEK 70 million for cross-border cooperation. A review of the strategy will be made in 2009 (see chapter 5 The EC Structural Funds programme in Sweden for the programme period 2007–2013).

Chapter 5 on cohesion policy describes how structural funds are used for implementing Sweden's national strategy for regional competitiveness, entrepreneurship and employment.

To achieve the Government's goal, targeted measures are being implemented to develop rural areas' assets in a sustainable way, such as the rural development programme for Sweden 2007–2013, where a total of about SEK 35 billion is being allocated. The goal of the rural development programme is the development of entrepreneurial activity, growth, employment and quality of life in rural areas through targeted measures that provide good conditions for business development. In addition, the sustainable use of natural resources will be encouraged.

The Government will draw up a strategy to strengthen the power of rural areas to grow. The work is focused on concrete strategic measures in a number of different policy areas which strengthen rural areas' possibilities of contributing to increased employment, growth and development. Most rural areas are rich in natural resources, such as good potential for wind power and renewable biomass resources which are important for energy recovery, food production, industrial processes and pharmaceutical production. Demand for these resources will grow strongly in the next few years as a consequence of the necessary environmental and climate adaptation. Furthermore, the special and good natural and cultural environments in many rural areas provide a large development potential and a resource for the whole nation. These environments provide opportunities for recreation and good conditions for entrepreneurship and enterprise, for example, in the adventure industry and the services sector.

The Industry Committee

The social partners' contribution

The Industry Committee is a unique cooperative effort by 17 trade unions and employers' organisations in industry. One key task has been to strengthen and develop industry's competitiveness. Six areas have been identified and a working group for each area established. These working groups are implementing concrete measures by using various forms of cooperation between representatives from both employers' associations and trade unions (see the Swedish Reform Programme for Growth and Jobs – Progress Report 2007).

The Industry Committee's groups composed of the social partners are continuing their work. The work has been influenced by the Government's forthcoming Research and Innovation Policy Bill to be presented at the end of 2008. Relevant parts of the groups' work have been spelled out in the publications, Before the Research and Innovation Policy Bill – the Industry Committee's proposal ("Inför Forsknings- och Innovationspropositionen 2008 – Industrikommitténs förslag") and Strategic R&D programmes – how can research cooperation between the central government and industry be developed? ("Strategiska FoU-program – hur kan forskningssamarbetet mellan stat och industri utvecklas?"). These contain proposals for vigorous measures on industry related basic and applied research within the framework of the announced increase in central government financing of research to 1 per cent of GDP. The principle common to the proposals is that the central government and industry will each finance a half.

The issue of the environment and climate has played a larger role in the Industry Committee's work in 2008 and will also be the theme for the "Industry Day" 2008. There, unions and employers together, intend to present an overview of the results that industry has achieved thus far with respect to energy efficiency and other climate-related measures. It provides a clear picture of possible improvements with known technology and priorities in research and development to enable industry to carry out additional improvements. At the same time, the social

partners will initiate a long-term dialogue aimed at strengthening the conditions for industry to contribute to national climate targets.

The work on “technical college” (a new form of upper secondary vocational training) has been making rapid progress. The social partners jointly lead the certification process, which has thus far resulted in 11 approved regions with a total of 35 certified schools. Almost 30 more schools are next in line to be certified under the Industry Committee’s criteria for “technical college”.

3.4 Environment and climate policy for sustainable development

Guideline 11 – Encouraging the sustainable use of resources and strengthening the synergies between environmental policy and growth

The Government’s policy for long-term sustainable development remains firm. People, organisations and businesses wish to play a responsible role in environmental matters and their wishes and their abilities must be put to the best possible use. The Government wants to develop economic instruments that steer development in an environmentally friendly direction and eliminate subsidies that steer it in the wrong direction. Changing behaviour and creating a willingness to invest in new technology requires economic policy instruments that provide incentives for acting in an environmentally friendly manner. Environmental and energy taxes must therefore be designed so that it pays to take environmental responsibility. The Government is working to make the most of the economic possibilities that are opening up in the transition to a fossil-free, environmentally driven economy with high growth. Sweden will be one of the countries to lead the development away from dependence on energy from fossil fuels.

The ‘climate billion’, the Government’s initiative, for 2008-2010, which was presented in Sweden’s Progress Report 2007, is an important part of this policy. The initiative concerns such matters as climate research, energy efficiency, renewable energy and a programme for renewable cities.

In the 2009 Budget Bill, the Government has presented a forceful package of climate and energy measures with new initiatives of over SEK 3 billion for 2009-2011 with cost-effective measures for achieving Sweden’s targets in the EU energy and climate package. The package of measures means an even clearer change in focus away from government investment grants. The focus is instead on technology development, efficient markets and greater global solidarity. In international development cooperation, the Government is in addition undertaking a special climate initiative amounting to SEK 1.3 billion per year from 2009–2011. The goal of the initiative is primarily to make an effective contribution to long-term measures for adaptation to climate change in the poorest countries, but also to contribute to developing countries’ measures to limit the percentage of greenhouse gases.

In December 2008, the Government will present a climate and energy Bill in which the measures for achieving Sweden's targets in the EU energy and climate package will be spelled out in more detail. The Government will seek a broad parliamentary consensus on a long-term and modern market-oriented energy and climate policy. The processes for achieving broad policy agreements on climate and energy policy will thus be closely interwoven in Sweden as well as in the EU. The Government thinks that such agreements should also have broad support in society and that a comprehensive energy and climate policy compatible with fiscal and trade policy is needed to meet the challenges facing society. The Government places great value on the business sector's role in the change-over to a climate-efficient economy. In spring 2008 the Government had discussions with representatives from the business community, which form an important basis for the upcoming climate and energy Bill.

In autumn 2008, the Government will present a Research and Innovation Policy Bill (see section 3.1 Enhanced initiatives for competitive research). One of the focuses in the Bill will be on a climate research initiative. In total a resource increase of SEK 5 billion, including a previously announced increase of SEK 400 million in 2009, in part to strategic areas of pharmaceuticals, technology and climate.

The work of the advisory Commission for Sustainable Development, which was established in 2007 under the leadership of the Prime Minister, has continued. The Commission's mandate is to strengthen cooperation and deepen analysis of issues concerning sustainable development, with a focus on climate matters. Issues of cost-effectiveness and market-based instruments play a leading role in this work. The Commission has analysed Swedish climate policy with respect to formulation of objectives and choice of instruments, technology's role in climate policy and the Swedish environmental objectives system. Matters related to the international climate negotiations are a high priority.

Climate measures

Climate change is one of the greatest challenges of our time and the Government's highest priority among environmental issues. The causes and effects of climate change are global in nature and must therefore be met at the global level. The EU has taken the lead in the international negotiations on a broad climate agreement in 2009 to come into force after the Kyoto Protocol's commitment period 2008-2012 expires. The Government's ambition is for Sweden to take the lead both in developing international cooperation and in implementing effective measures in Sweden. The Government's basis for its work on climate matters is the Heads of State and Government's decision on emission reductions in the EU in March 2007.

Swedish emissions of greenhouse gases have declined by about 6 million tons or about 9 per cent between 1990 and 2006. The reductions have been primarily in emissions from housing and services and from agriculture and landfills. From 2005 to 2006, emissions fell by about a

million tons. The emissions reduction can be mainly attributed to the ongoing conversion from oil heating in housing and business premises. The trend in recent years to increased emissions from domestic transport services has been stopped and instead they have declined somewhat. This was primarily due to reduced emissions from aviation and shipping and the use of ethanol as a partial replacement for petrol.

Swedish emissions have fallen at the same time that the Swedish economy has grown. Since 1993 GDP has increased 40 per cent but total emissions of greenhouse gases have not increased. The forecast for 2010–2020 indicates that total emissions in Sweden will increase somewhat without further measures, but they are still expected to be lower than 1990 levels. It is primarily emissions from electricity and heat production, industry and refineries that are expected to increase in the future. These emissions are currently largely covered by the EU Emissions Trading Scheme. How the system will be developed after 2012 is therefore of great importance to EU and Swedish emissions of greenhouse gases going forward to 2020.

Swedish climate policy will continue to develop with respect to both emissions reduction measures and adjustment to climate changes. In the 2009 Budget Bill the Government has proposed a forceful initiative, over and above the climate billion, of over SEK 3 billion allocated for 2009 – 2011 for climate and energy measures. Programmes will include the commercialisation and spread of new energy technology, climate investments in other countries, faster planning processes for new sustainable electricity production, extended measures for energy efficiency and measures to adapt Sweden to the effects that are the result of a warmer climate.

**Table 4. Climate and energy initiatives
SEK million**

| | 2009 | 2010 | 2011 |
|---|--------------|--------------|--------------|
| Commercialisation of new energy technology | 145 | 380 | 350 |
| Climate investments in other countries | 230 | 230 | 210 |
| Spread of new energy technology | 100 | 122 | 117 |
| Energy efficiency | 0 | 60 | 260 |
| Renewable electricity production | 60 | 70 | 20 |
| Subsidies for energy efficient windows in single-family homes | 80 | - | - |
| Green car rebate | 325 | - | - |
| Food chain's climate impact, etc. | 6 | 3 | 3 |
| Adjustment measures | 174 | 205 | 205 |
| Total | 1 120 | 1 070 | 1 165 |

Source: Government Office

Sustainable energy

The target for renewable electricity in the electricity certificate system of 17 TWh until 2016 compared with the 2002 level reported in Sweden's Reform Programme 2006–2008 remains firm. In 2007 12.7 TWh of renewable electricity were produced in the electricity certificate system, which is in line with the Riksdag's target. For wind power, the Riksdag has established a planning target of 10 TWh until 2015. The aim of the planning target is to create the basis for future expansion. The Swedish Energy Agency has submitted its report on its remit from the Government concerning a new planning target for wind power, which it proposes raising to 30 TWh by 2020. The proposal has been referred for consultation and is currently under consideration by the Government Offices. Biofuels are predominant in electricity production in the system. Wind power has increased most in percentage terms, rising by 45 per cent, from 1.0 TWh to 1.43 TWh between 2006 and 2007.

In September 2008, the Environmental Procedures Inquiry (M 2007:04) proposed further simplifications of the licensing procedure for wind power establishment. The simplifications are planned to enter into force on 1 July 2009. To make it easier to expand wind power, there is a special subsidy for wind power planning of SEK 30 million in 2007 and 2008. In the 2009 Budget Bill, the Government has proposed extending the subsidy by SEK 30 million in 2009 and by SEK 20 million in 2010 in order to further facilitate the expansion of wind power. To provide further support for regional and local work on wind power, the Government has proposed extending the subsidy for regional networks for wind power production by SEK 20 million per year in 2010–2011.

The Government's initiative for wind power development will lead to a greater work load for the environmental courts. To compensate for this, Swedish courts will be given SEK 10 million a year in 2009–2010. In the same period, county councils will be given SEK 20 million a year to enable more rapid processing of wind power cases.

More effective energy use is a prerequisite for reduced climate impact. The Energy Efficiency Inquiry (ToR 2006:89) presented a proposal for a national action plan for energy efficiency in March 2008. The Inquiry's final report will form the basis of a national strategy for energy efficiency. In the 2009 Budget Bill (Govt. Bill. 2008/09:1), the Government has allocated SEK 320 million for 2010–2011 to continue its energy efficiency measures. The Government has also decided that an additional target of at least a 6.5 per cent energy savings by 2010 in relation to average annual energy use from 2001 to 2005 should be established.

In the course of the year, the Energy Agency has presented several concrete instruments and programmes for energy efficiency in SMEs. Such instruments and programmes apply today to the energy intensive industry and have shown good results. Around 3 000 of those employed in the mining and steel industry have received training in energy issues. This is 80–90 per cent of the employees in this energy intensive sector. A prize for Sweden's most energy efficient small business has been established together with the business organisation Federation of Private Enterprises.

In spring 2008, the Government introduced special requirements for energy conservation in electricity used for heating, cooling and ventilation in new homes and business premises. The National Board of Housing, Building and Planning has begun work on developing and tightening energy use requirements in new construction. More than twenty per cent of Sweden's municipalities participate in the programme "Sustainable municipalities". The programme involves a systematic effort to conserve energy at the municipal level. The number of 'passive houses', i.e., houses without traditional heating systems, is now on the increase in Sweden. Municipal energy advisers are estimated to have reached about a half million people in 2007. Starting in 2008, their duties have been expanded somewhat and they are now called energy and climate advisors. In the 2009 Budget Bill, the Government has extended the earlier programme in this area to 2011, with the supplementary contribution reported above as measures for energy efficiency. An earlier subsidy for energy efficient windows, etc. in single-family homes has been allocated an additional SEK 80 million for 2009.

Sustainable transport

There are several financial advantages for owners of green cars, as reported in Sweden's Progress Report 2007, such as the green car rebate, no congestion tax in Stockholm, preferential taxation of benefits, lower vehicle tax, free parking in several municipalities, etc.. The introduction of a green car rebate has meant a sharp increase in the percentage of green cars in the new car market. Green cars as a percentage of new car sales for January through July 2008 were 30.9 per cent compared with 15.4 per cent for the same period in 2007. The Government has allocated a further SEK 325 million to the green car rebate in the 2009 Budget Bill. In 2008 it has also become possible to convert passenger cars to use alternative fuels.

The exemption of biofuels from carbon dioxide and energy taxes and the expansion of filling stations for new fuels, reported in Sweden's Progress Report 2007, has stimulated their use. In July 2008, over 40 per cent of filling stations sold a renewable vehicle fuel, mostly ethanol. The Government has allocated SEK 150 million to stimulate the establishment of filling stations selling biogas. By the end of June 2008, SEK 63 million had been given in grants to 64 biofuel stations.

The Swedish Road Administration reports that 87 per cent of all cars used by central government agencies were green cars and that 40 per cent of emergency vehicles bought or leased were green cars in 2007, which exceeds environmental requirements in public transport procurement of 85 per cent for cars and 25 per cent for emergency vehicles. The Government will now take further steps and review the possibilities of introducing stricter climate requirements to cover more vehicle categories. The aim is for the requirements also to be used by municipalities, county councils, state-owned companies and the business sector.

Environmental technology

The development and spread of new technology is a prerequisite for effectively reducing the climate impact without limiting the opportunities for growth and welfare. Over and above the technology and climate initiatives in the Research and Innovation Policy Bill (see section 3.1, Enhanced initiatives for competitive research), the Government has proposed a number of additional measures aimed at promoting the development of new energy technology in the 2009 Budget Bill.

To facilitate the steps from research and development to commercialisation of any technology in which Sweden is well qualified and in the forefront, a further SEK 875 million will be allocated to make initiatives in the development of second generation biofuels and other energy technology possible, for example, with respect to vehicle and electricity production, which are on the eve of a commercial breakthrough. To facilitate the spread of energy technology that is good from a climate perspective, but which is not yet commercially competitive compared with established technologies now in the market, for example, biofuels and solar cells, SEK 339 million will be allocated for 2009–2011.

Within the framework of the climate billion, SEK 340 million will be allocated in 2009 and 2010 to a programme to support the development of sustainable cities with less impact on the climate and the environment. By using integrated city planning and new environmental technology, cities' environmental impact will be reduced at the same time that attractive and competitive environments are created. The financial support aims at stimulating the development of new best practices in sustainable urban planning and applied environmental technology that can be used for demonstration purposes. The Government intends to give a special delegation the task of administering the financial support for the development of sustainable cities.

The Government has been actively pursuing international cooperation in environmental and energy technology, such as the agreements it has entered into with the United States, Brazil and China.

To limit the effects of climate change, measures that will both sharply reduce emissions in industrial countries and provide support to developing countries are needed. Sweden will make full use of the opportunities available, within the framework of its commitments under the Kyoto Protocol, to support environmental technology investments in developing countries. The Government has therefore proposed initiatives in the Budget Bill for 2009, in addition to those already taken, for projects in developing countries that contribute to reduced emissions and sustainable development. Hence, the Government proposes to allocate SEK 670 million for 2009–2011.

Effective policy instruments

The Government continues its work to develop market-based instruments for environment and energy policy. In the forthcoming climate and energy Bill in December 2008, the Government intends to present

guidelines for changes to environmental and energy taxes that will help Sweden meet its part of EU climate and energy policy targets.

Environmental taxes and other economic instruments play a key role in environmental and climate efforts. Work has been initiated aimed at achieving better coordination between energy taxation and other economic instruments. Particular focus will be put on the taxation of carbon dioxide. A fundamental principle in the work under way is that the polluter pays.

The Swedish Environmental Management Council is a key player in pushing ahead with the work on environmental requirements for public procurement in accordance with the action plan decided by the Government in March 2007. Since the action plan was established, accompanied by an increase in resources for the Council, there have been more initiatives in training and information for procurement officers and managers and campaigns at the regional and local level to increase commitment on the part of politicians and heads of operations to the matter. The work on developing procurement criteria as an aid for procurement officers who want to set environmental requirements has been broadened and strengthened. The Council has also put more focus on public procurement's contribution in the future to stimulating the development of new innovative environmental technology. This will be accomplished by drawing up cutting-edge criteria that can be used by procurement officers who want to be at the very forefront with respect to environmentally sound products and services (see also section 3.5 on public procurement).

Climate initiatives in development cooperation

In international development cooperation, the Government is undertaking a special climate initiative amounting to SEK 1.3 billion per year from 2009–2011. The primary goal is not only to make an effective contribution to long-term measures for adaptation to climate changes in the poorest countries, but also to contribute to developing countries' measures to limit greenhouse gases by such measures as increased energy efficiency, increased access to better technology and alternative energy sources and reforestation projects. Contributions will primarily be made through existing multilateral initiatives, but also in bilateral cooperation with the focus on Africa.

In October 2007, the Government appointed an international commission for climate-change and development led by the Minister for International Development Cooperation. The aim is to increase the focus on the link between climate change and development in poor countries. One of the main tasks will be to ensure that future development assistance takes into account climate impact and the risk of disasters in developing countries. The results of the Commission's work will be presented in the spring of 2009.

Eco-management – non-toxic and resource-saving ecocycles

Increased competition and regulatory simplification are highly relevant in the area of waste management. The Government is therefore working actively to reduce the administrative costs for entrepreneurs and government agencies. In autumn 2008 it will simplify the rules and regulations for the transport of hazardous waste (see also section 3.5 Easier and more attractive to start and run a business). In order to have a well-functioning market for waste, the Government has appointed a negotiator with the task of achieving cooperative solutions between municipalities and packaging and paper producers. With a view to increasing competition in the area of waste, the Government has requested the Swedish Environmental Protection Agency to report on the consequences of limiting the definition of household waste to waste that comes exclusively from households.

Biodiversity, growth and employment

In 2007 the Swedish Rural Development Programme began a new seven-year period. The aim of the Programme is to promote competition in agriculture and forestry, a diversified business sector in rural areas and a sustainable use of natural resources. The main focus of the Swedish programme is on environmental measures, particularly measures to foster or preserve the agricultural landscape's biodiversity. From 2007-2013, the Rural Development Programme is allocating about SEK 1 billion annually in compensation to farmers for their production of natural services and services with respect to sites of cultural interest. The overall goal of these measures is to preserve and develop the agricultural landscape and its biological diversity. This constitutes a substantial resource to business that can contribute to employment and growth in rural areas. Of the approximately SEK 720 million annually for environmental compensation for management of meadows and pastures, about SEK 300 million is used in protected areas.

Procurement of the management of state nature reserves from entrepreneurs comes to about SEK 75 million a year. The greater part of these payments concerns management of natural habitats in meadows and pastures but also includes management measures in forests and wetlands and overseeing archipelago environments.

3.5 Easier and more attractive to start and run a business

Guideline 14 – Creating a more competitive business environment and encouraging private initiatives through simplified regulation
Guideline 15 – Promoting a more business friendly culture and creating a good climate for SMEs

The Government's objective is for Sweden to have the best business climate in Europe. Economic developments in Sweden depend on the conditions for businesses to start, survive and grow, the use made of the potential for innovations and the possibilities for reallocation of

resources. The potential of companies to develop, to think in new and creative ways and to expand into new growth areas must be freed up in order to meet the tougher global competition. Most of the employment growth in the last fifteen years has occurred in small enterprises. Thus, a better business climate is vital to get more people into work.

The Government's efforts to bring about a better business climate are directed at creating better business conditions, encouraging new and growing enterprises, making it easier to start and run a business and creating the conditions for well-functioning markets. The Government's work on regulatory reform continues with respect both to existing and new legislation. Tax policy must promote entrepreneurship. Measures are being taken to facilitate the participation of small enterprises in public procurement. The policy is also directed at encouraging entrepreneurship among women and increasing access to capital.

In 2007 slightly less than 57 200 new businesses were started in Sweden (including the agriculture and forestry and property maintenance services sectors, which were not included in the statistics previously). Excluding these sectors, there were almost 53 400 new businesses, which represents an increase by 20 per cent compared with 2006. The positive development of new businesses continued in the first quarter of 2008 according to preliminary figures. Of those who were employed in businesses that were started in 2007, about 63 per cent were men and about 37 per cent were women. The number of new business starts among women increased by 21 per cent between 2006 and 2007.

Easier to run a business

Regulatory simplification is a central part of the Government's policy to create good conditions for entrepreneurship and it is a precondition for more and growing enterprises. Extensive work on regulatory simplification was initiated in autumn 2006 and it is the Government's assessment that the necessary tools for a systematic regulatory simplification are now mostly in place.

In April 2008, the Government submitted the Communication Regulatory simplification (Regelförenklingsarbetet, Govt. Comm. 2007/08:131) to the Riksdag. The Communication describes the Government's work on regulatory simplification to achieve its objective of reducing business' administrative costs for all the state regulatory frameworks, i.e., acts, ordinances and regulations, by 25 per cent by autumn 2010. The Communication shows that 170 measures were implemented or concluded in 2007 and 400 measures are planned for 2008 and beyond. It should be mentioned that 200 measures are directed at reducing administrative costs. In July 2008, the Government gave a new remit to the Government Offices and central government agencies to produce additional background material for the Government's action plan for regulatory simplification in 2008. More measures to simplify regulations can thus be expected.

On 1 January 2007 a new ordinance (the Regulatory Impact Assessment Ordinance 2007:1244) on impact assessment of regulations came into force. This ordinance ensures that consequence analyses are

made in a uniform way throughout the whole chain of legislation. It is, for example, made clear that the administrative costs following from a proposed law must be reported. As announced in Sweden's Progress Report 2007, the Government decided in May 2008 to establish the Regulatory Council. It is the Council's task to ensure the quality of impact assessments of acts, ordinances and regulations as they are being prepared by the government and agencies. The Council will work for a limited time to accelerate regulatory simplification. An evaluation is to be made of the Council's work. Two guidelines have been established for regulatory simplification in the Government Offices. One is Guidelines for Impact Assessment in the Government Offices, the other is Guidelines for the Government Offices' submission of Impact Assessment to the Regulatory Council. The Guidelines will be implemented as of 15 June 2008 and 1 October 2008 respectively. Measuring business' administrative costs is vital to regulatory simplification and is done in close cooperation with the business sector. At the Government's request, the Swedish Agency for Economic and Regional Growth has measured 17 central areas of legislation and updated some older measurements. The results of these measurements will be used to simulate administrative costs associated with the development of new regulations.

In June 2008, the Government was informed of the result of the follow-up of the companies' administrative costs made by the Swedish Agency for Economic and Regional Growth. The follow-up is based on legislation by both the current and previous government. The follow-up, which covers the period 1 July to 31 December 2007, shows that administrative costs increased by almost SEK 2 billion. The increase is mainly due to proposals made before the change of government in autumn 2006. Annual reports costs, however, decreased by SEK 100 million. Further simplification in 2008 is expected to reduce regulatory costs.

As part of the regulatory simplification, the Government has instructed the Swedish Companies Registration Office to develop a proposal for reduced reporting by companies by way of increased coordination among central government agencies. The point of departure is that companies will only have to provide one particular piece of information once to central government agencies. The Office is to submit a report to the Government in April 2009.

Regulatory simplification of accounting

Simpler accounting regulations, which are estimated to reduce the costs of companies by almost SEK 500 million, are proposed in the interim report, *Simpler accounting (Enklare redovisning)* (SOU 2008:67) of June 2008. It primarily concerns small enterprises. The inquiry finds that Swedish legislation should not be more far-reaching than required by the EC Accounting Directive (ToR 2007:78). The inquiry's proposals include an increase in the ceiling for classification as a small business and the abolition of the requirement to submit a full annual report. Additional simplifications of the companies' obligation to provide

information have been proposed, for example, making it unnecessary for small enterprises to submit a management report and allowing them to submit an abbreviated balance sheet. The inquiry is to report its findings on other issues including rules on fraudulent bookkeeping no later than 1 June 2009.

A simpler limited liability company

The interim report, Share Capital in Private Limited Liability Companies (Aktiekapital i privata aktieföretag, SOU 2008:49), proposes a reduction in the minimum share capital requirement for private limited liability companies from SEK 100 000 to SEK 50 000. A possibility to pay in the share capital gradually is also proposed. According to its terms of reference (ToR 2007:132), the inquiry is to consider simplifications such as a lower capital requirement, simplify the regulation of companies for SMEs in particular and the need for a new legal form of enterprise. The inquiry is to report its findings on other issues no later than 31 March 2009.

Stimulating entrepreneurship and enterprise

The Government has taken a number of measures to improve the conditions for SMEs and make it simpler and more worthwhile to start and run a business.

It is the Government's goal to increase the percentage of new businesses started by women to 40 per cent by 2010. As mentioned in the previous National Reform Programme, the Government initiated a special programme for women's entrepreneurship covering 2007-2009. Additional funds have been allocated for the creation of a network of ambassadors for women's entrepreneurship. In spring 2008 the Government appointed 880 ambassadors in a selection process in which close to 1600 women applied. The ambassadors are to inspire other women, tell their story and share their experiences as entrepreneurs. Each ambassador is expected to make at least four visits each year. Such visits may entail talking to school classes and at universities and participating in various networks.

The insurance conditions for entrepreneurs in the social security systems are currently under review at the request of the Government. The inquiry (ToR 2006:11, ToR. 2006:37, ToR. 2007:156) will submit its report in autumn 2008. The inquiry will present proposals on how sickness insurance for entrepreneurs can be better adapted to the entrepreneur's needs and their possibilities to use the insurance.

The Government has instructed the Agency for Economic and Regional Growth to develop two programmes for developing entrepreneurship and diversity in health care and social services. The programmes will focus on advice to and training of potential entrepreneurs (SEK 30 million) and on designing a guide to public procurement in order to simplify the work for local authorities as purchasers and companies as suppliers.

Attitudes towards entrepreneurship are of great importance to entrepreneurial activities in a country. In order to increase young people's interest in and knowledge about entrepreneurial activities, the Government developed a strategy for promoting entrepreneurship throughout the education system.

Work on developing targeted measures to strengthen entrepreneurship among people with a foreign background continued in 2007 and 2008. A new program implemented by the Swedish Business Development Agency (Nutek) was launched in June 2008 with a budget of SEK 20 million for 2008 and a total budget of SEK 60 million for 2008 to 2010. The programme includes both measures for better advice to established entrepreneurs wanting to make their businesses develop and grow and for changed attitudes in the financial system, such as knowledge building and programmes for mentors and networks.

Social enterprises represent an unexploited resource. In spring 2008, the Swedish Agency for Economic and Regional Growth developed a proposal for a programme for more and growing social enterprises, which is currently being prepared in the Government Offices (see section 4.2 A labour market for all).

As a continuation of the greater coordination of industrial, regional growth and culture policies the Government intends to implement measures to promote growth in the cultural and creative industries. There is a need for actors which can be bridge builders and intermediaries for stimulating creative and innovative processes in the business sector and for increasing entrepreneurship, innovation and enterprise in the cultural sector. The Government intends to request development of an action plan to create a framework for working with the cultural and creative industries, including the promotion of entrepreneurship in the cultural sector.

The Riksdag has requested the Government to appoint an inquiry into advisory services for enterprises as a supplement to the Business Financing Inquiry (Företagsfinansieringsutredningen) (ToR. 2007:169). The activities of various advisers overlap. Possible displacement of private advisers should also be analysed. The Government Offices are currently preparing the procurement of a review of the central government's business advisory services.

Public procurement

The total public procurement market in Sweden has an annual turnover of some SEK 400-500 billion. A well-functioning procurement market is therefore an important part of the Government's effort to fulfil its objective of more and growing companies. An effective competition authority that is also responsible for supervising observation of the rules and regulations for public procurement creates the conditions for this. SMEs must also be given the same opportunities as large firms to participate in public procurement.

On 1 January 2008 two new laws came into force, a law (2007:1091) on public procurement (LOU) and a law on procurement in the water,

energy, transport and postal services sectors (LUF). The laws implement the EU directives on public procurement 2004/18/EG and procurement in the utilities sectors 2004/17/EG. The Competition Authority at the request of the Government has produced clear and easily accessible information on the new provisions for public procurement with a view to making their application easier for government agencies and suppliers. The Competition Authority was also requested to provide a special publication having more detailed information on procurement with environmental requirements. The Procurement Committee in its final report, New Procurement Rules 2 (Nya upphandlingsregler 2) (SOU 2006:28), has included proposals on how procurement below the threshold values, and thus not governed by the EC directive, can be simplified. The Government intends to present a proposal on the matter in 2009.

Improving the opportunities for SMEs to participate in public procurement is a priority for the Competition Authority within the framework of its remit. In the 2008 Budget Bill (Govt. Bill 2007/08:1), the Government has increased the Competition Authority's appropriation by SEK 5 million annually beginning in 2008 for this task. The Competition Authority reports regularly on current and past measures.

For the application of procurement rules to be fair, there need to be legal remedies and sanctions that work. The Government Offices have begun work on transposing the changes resulting from the EC 'remedies' directives into legislation. In this connection a review of the national regulations on supervision is also being carried out. The Government plans to submit a Bill in 2009.

Included in the work under way in the Government Offices is taking a position on the remedies to cover procurement not governed by the public procurement directives. The work will also consider the issue of the Competition Authority's right to sue and the issue of defiance of the courts. The preventive effect on observance of the rules that the Competition Authority's right to sue is assumed to have will benefit all businesses, but particularly smaller firms with limited opportunities to bring a suit to court. A Bill is planned for presentation in 2009.

A tax system promoting entrepreneurship

Within the framework of the Government's Globalisation Council (see section 3.3 Open well-functioning markets in a sustainable economy), a study has been produced that has examined for the first time the connection between taxes and enterprise in Sweden, 'Taxes, Enterprise and Entrepreneurship; background report no.12 (Skatter, entreprenörskap och företagande, underlagsrapport nr 12 till Globaliseringsrådet (May 2008)). The study proposes designing tax policy so that capital formation is not impeded, the expected return from operating a business is sufficiently high and the deduction for losses is more favourable.

In the 2009 Budget Bill (Govt. Bill 2008/09), the Government presented a number of changes in corporate taxation to strengthen the incentives to invest and take on new employees:

- The corporate tax rate will be reduced from 28 per cent to 26.3 per cent.
- The total levy of social security contributions and the payroll tax will be reduced by 1 percentage point..
- Employer’s contributions for young people will be further reduced to 15.49 per cent, or more than a halving compared with the full contribution (see section 4.2 A labour market for all).
- Reform of the taxation of close companies will be in the form of additional tax relief (see section 2.1 *Better conditions for entrepreneurship and competition*).
- Increased possibilities for immediate deduction of equipment of minor value will be made more generous.

As part of the work on regulatory reform, a number of tax measures that reduce firms’ administrative burden have been announced in the 2009 Budget Bill. These include reductions in reporting and the abolition of the requirement for regular controls (see also section 2.1 Sound public finances for sustainable growth and welfare).

The Government continues its work to change the rules on the tax reduction for household services. Beginning 1 January 2008, the tax reduction also covers household services that are a taxable benefit. The report, Tax Relief for Household Services (Skattelättnader för hushållstjänster, SOU 2008:57) presented a proposal whereby the purchaser would receive a tax subsidy at the time of purchase. Under the current system, the purchaser pays the full cost of the service and first receives the subsidy later as a tax reduction. The Government intends to present a proposal to the Riksdag in December 2008 based on the report.

The F-tax system has been criticised as a factor making business start-ups more difficult. The Government’s Inquiry to review the F-tax requirement presented its report, the F-tax for more entrepreneurs (F-skatt åt flera, SOU 2008:76) on 4 July 2008. The Inquiry’s proposal entails the expansion and clarification of what constitutes a business activity, which according to the Inquiry will mean that starting a business will be easier and that women’s entrepreneurship in particular will be encouraged.

The Government has appointed an inquiry to analyse the possibilities of introducing special tax incentives to stimulate natural persons’ investments in smaller firms (ToR 2008:80). The inquiry is to report no later than 31 March 2009.

Increasing access to capital

It is important to design state measures in a way that stimulates capital formation within companies and promotes the participation of private players to the greatest extent possible. The Swedish Institute for Growth Policy Studies, ITPS, has compiled statistics showing that over 70 per cent of new business starts in Sweden in 2006 were financed mainly with their own capital. Twelve per cent of businesses were financed primarily with bank loans. Other common sources of financing were business start-up support (15 per cent) and funds from relatives and friends (5 per cent).

In the Government's opinion, the primary role of the central government here is to create stable and good conditions for capital formation and establish the ground rules for the financial and risk capital markets. The Government appreciates that the central government can play an important role with respect to investment at an early stage in the creation of a business and that there are arguments that loans to some smaller businesses can improve economic efficiency even when the credit market is generally functioning well.

The current state financing system has been criticised for being overly complicated and having too much overlap. In December 2007, the Government therefore appointed an inquiry chair with the task of conducting a review of state financing for new SMEs. The Business Financing Inquiry (Företagsfinansieringsutredningen, ToR.2007:169) is to submit proposals by 31 December 2008 for making current measures more effective and transparent.

In June 2008 the Government presented the Bill Business Mortgage Loans – Better Security for Business Loans (Företagshypotek - en bättre säkerhet för lån till företag, Govt. Bill 2007/08:16) to the Riksdag. The Bill proposes a reform of the regulatory framework to make it possible to use movable property in the business activity as security for the loan. The aim is to strengthen security so that it is easier for firms to borrow money. The new regulations are expected to enter into force on 1 January 2009.

The Tax Incentives Inquiry (Skatteincitamentsutredningen, ToR 2008:80) will analyse proposals or transitional deductions, which means that taxes may be deferred for owners of close companies that within one year after a company is sold choose to reinvest the proceeds in a new company. The deferral will only be granted for the taxable profit and no interest will be paid on the deferred amount.

3.6 A sustainable infrastructure for increased competitiveness, growth and welfare

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|--|
| Guideline 16 – Expanding, improving and linking up the European infrastructure |
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A well-functioning infrastructure is a basic precondition for enterprise and long-term sustainable growth in all parts of the country. Every day an average of 13.4 million journeys are made and goods worth almost SEK 4 billion are transported across Sweden's borders. The transport system is to make everyday life easier for people and businesses by providing efficient journeys and transport with less impact on the climate. The business sector needs an efficient and reliable transport system.

In the 2009 Budget Bill (Govt. Bill 2008/09:1) the Government has allocated SEK 7.6 billion in 2009 and 2010 for a special programme for infrastructure to ensure that urgent projects will be undertaken at a more rapid and more rational pace and that priority projects will be brought forward all over Sweden. This is the largest single infrastructure

programme that has ever been proposed in a Budget Bill and it will bring about improvements all over Sweden for commuters and transport dependent entrepreneurs.

The Government presented an Infrastructure Bill to the Riksdag on 30 September 2008. The Bill proposed a central government planning framework for transport infrastructure measures for 2010-2021 of SEK 417 billion. To finance this, the level of appropriations will be increased from 2011 by SEK 3.85 billion compared with the 2008 level. The next phase of the planning will start as soon as the Riksdag has taken a decision based on the Infrastructure Bill. One starting point for the new round of planning is that cost-benefit analysis methods, environmental assessments and other consequence analyses must play an important role when setting priorities for infrastructure investments. Another important starting point is an approach embracing all modes of transport and cooperation among the different modes of transport in order to achieve an efficient transport chain. At the same time, co-financing by public and private actors is welcome.

It is the Government's assessment that the infrastructure programme proposed for 2010–2021 will bring about the following improvements:

- The transport system will contribute to growth and to more people finding jobs in more, expanding enterprises throughout the country.
- Labour market regions for women and men will expand.
- Acute bottlenecks in the transport system will be reduced.
- Accessibility in metropolitan areas will be improved.
- The infrastructure will be kept up through more investment in maintenance.
- Climate-efficient journeys and transport will be facilitated. This will contribute to achieving the climate policy objectives.
- The infrastructure will be secured to cope with climate change.
- Negative effects on the environment, such as air pollution, noise, barrier effects, landscape fragmentation and energy use, will be reduced.
- Travel on our roads will be safer.
- The whole travel chain will be better coordinated and adapted to users' needs.
- Public benefit from infrastructure investment will increase.

4 Employment policy

From a labour market perspective, 2007 was a great year in Sweden, employment as well as the large number of people in work had a substantial increase. This positive development has also contributed to reduce unemployment and diminish exclusion from the labour market.

The Swedish economy is growing more slowly than it did in the last few years. Because of the slow down, the employment rate will drop a bit due to a weakening in the business cycle. It is therefore important to continue the reform work in order to realise the Government's overall objective of increasing sustainable employment and reducing exclusion so that more people get jobs. In Sweden's Reform Programme for Growth and Jobs 2006-2008 and in the Progress Report for 2007, the Government showed a number of reforms that had been taken aimed at reducing the large number of individuals who were outside the labour market or worked less than they wished to. Reduced income taxes, stricter requirements in unemployment insurance, cyclically warranted cutbacks in the volume of labour market policy programmes, more focus on matching and improved quality in the education system are some of the points emphasised in these earlier reform programmes.

Both the reforms implemented and the new reforms mentioned in this reform programme aim at restoring the work-first principle and fighting labour market exclusion in the labour market. Everyone's ability to look after themselves as far as possible and contribute to the common good will be made use of. This is also in line with EU common principles on flexicurity adopted by the Council in December 2007. The Government's reforms are not isolated measures but rather co-ordinated and integrated programmes. To meet the challenges of globalisation, employers and employees need flexible but secure terms of employment. Workers must be given better opportunities to make the most of their qualifications to find jobs in other Member States. Validation of professional skills increases this possibility and the needs of the labour market can be met at the same time that labour mobility in Europe increases.

The Government shares the assessment of the Commission and the Council from 2008 that further measures need to be taken to tackle youth unemployment, raise the employment rate among people born abroad and reintegrate people receiving compensation related to ill health into working life (see section 1.2 The Commission and the Council's recommendations to Sweden).

Further tax reductions on labour, sharp cuts in social security contributions for young people, intensified help to newly arrived immigrants, and reforms in the sickness insurance are some of the measures mentioned in this year's reform programme that address the points stressed by the Council.

In line with the Commission and the Council's assessment from 2008, this year's reform programme also stresses the implementation of the measures mentioned in the 2006 and 2007 reform programmes. An

assessment of the consequences and effects of the most recent reforms to strengthen incentives to work are also reported when possible.

4.1 Targets for employment policy

Guideline 17 – Achieving full employment, improving quality and productivity at work and strengthening social and territorial cohesion

The Government's work to increase employment, reducing exclusion above all, continues.

The Government's policy is well in line with the overall goals of the European Employment Strategy.: full employment, higher quality and productivity at work, and strengthened social and territorial cohesion.

Objectives of the European Employment Strategy and the outcome for Sweden

By 2010, every unemployed person, before reaching four months (young people) or twelve months (adults) of unemployment, is to be offered a job, apprenticeship position, supplementary education and training or other measure that aids employability.

In 2007 1.3 per cent of the unemployed adult men and 1.0 per cent of the unemployed adult women had not been offered a job, apprenticeship position, supplementary education and training or other employability measure. . For young men, the proportion was 4.7 per cent and for young women 3.6 per cent.

By 2010 25 per cent of the long-term unemployed should participate in an active measure in the form of education and training, retraining, work practice or other employability measure, with the aim of achieving the average of the three most advanced Member States.

In 2007 a total of 72.5 per cent of long-term unemployed men and 70.2 per cent of long-term unemployed women participated in an active measure of some kind.

Jobseekers throughout the EU are to get information on all job vacancies advertised through Member States' employment services.

All job vacancies registered with the Swedish Public Employment Service are published in the EURES system.

The effective average exit age from the labour market will have been lengthened by five years at the EU level by 2010 compared with 2001 (59.9 years).

The effective average exit age from the labour market was 63.9 years in 2006, compared with 62.1 years in 2001, which constitutes an increase of 1.8 years.

By 2010 childcare is to be made available to at least 90 per cent of all children between 3 years of age and the mandatory school age and at least 33 per cent of all children under 3 years.

In 2007, 85.4 per cent of all children aged 1 to 5 were enrolled in a preschool or family day care home – 77.9 per cent of all children between 1 and 3 years and 97.1 per cent of all children between 4 and 5 years.

The target of an EU average rate of early school leavers not exceeding 10 per cent. In 2006, 10.7 per cent of young women and 13.3 per cent of young men aged 18 to 24 had completed compulsory education (ISCED level 2) or less and were no longer in education.

By 2010 at least 85 per cent of all 22-year-olds in the EU are to have completed an upper secondary school education.

In 2007, 89.0 per cent of 22-year-old women had completed an upper secondary education. The corresponding share for 22-year-old men was 85.4 per cent.

Participation in lifelong learning in the EU should on average be at least 12.5 per cent of the adult working-age population (the group aged 25 to 64):

In 2007, the proportion of men and women aged 25–64 who had participated in some form of education or training in the previous four weeks was 25.8 per cent and 39.3 per cent respectively.

Source: Swedish Public Employment Service

Source: The National Agency for Education

Putting Sweden to work

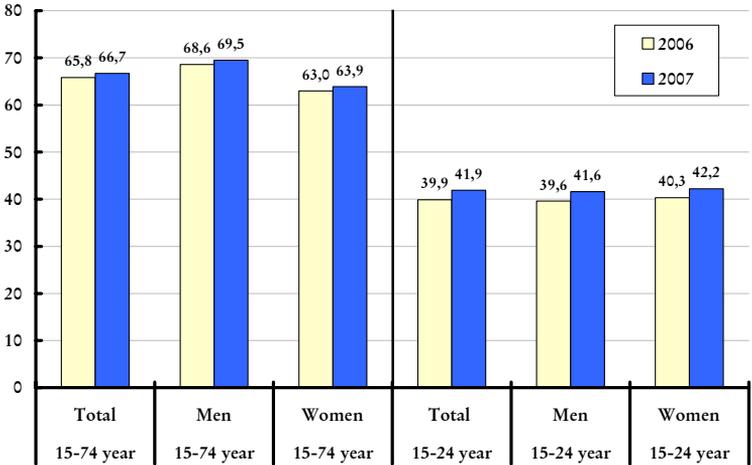
The key task of the Government is to get more people into work, in the first place by a reduced exclusion. To meet its targets, the Government has carried out a number of reforms and measures since it took office in autumn 2006. An important part of the Government's policy is to stimulate the supply of labour, since experience shows that in the long run labour supply determines employment growth. The most important reforms have been the in-work tax credit and changes in unemployment- and sickness insurances. In short run, it will be necessary to combine measures to stimulate labour supply in combination with measures that aim to increase the demand of people furthest away from labour market. The priorities for labour market policy resources have had a much sharper focus on measures for those most detached from the labour market.

A number of initiatives have also been taken to improve matching between jobseekers and job vacancies which will lead to a higher durable employment. The Government has supplemented the Public Employment Service's range of services with more actors to facilitate matching and at the same time provide unemployed people with better service. Another step taken to improve matching between jobseekers and job vacancies has been to restructure the Swedish Labour Market Administration to make form the Swedish Public Employment Service, a more effective

and flexible agency providing a higher degree of legal certainty (see also under guideline 20).

Recent developments in the labour market have been very positive. There has been an unusually large increase in employment since the second half of 2006 and unemployment has fallen sharply during the same period. The proportion of the population employed aged 15–74 increased from 65.8 per cent in 2006 to 66.7 per cent in 2007 (see figure x). The increase occurred among both women and men. Compared to 2006, unemployment in 2007 fell one percentage point to 6.1 per cent of the labour force aged 15-74 (see figure 3).

Figure 2. National employment 2007, per cent

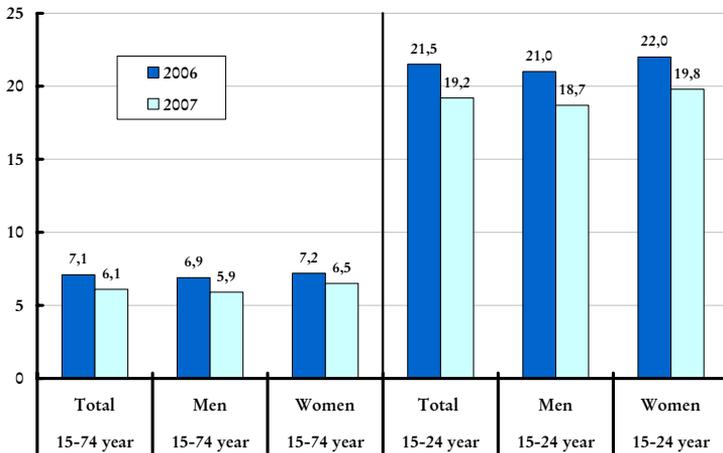


Source: Statistics Sweden

The increase in employment and the decline in unemployment has been particularly noticeable among young people aged 15–24. In 2007 the employment rate among young people aged 15-24 was 41.9 per cent, an increase of two percentage points compared with 2006 (see figure x). At the same time unemployment fell 2.3 percentage points and in 2007 was 19.2 per cent of the labour force aged 15-24 (see figure Y).

People born abroad have also benefited from the good labour market situation in 2007. Employment among the foreign born increased and unemployment in this group declined relatively more than among the total population aged 15-74. A common pattern for both the labour force as a whole, and for young people and for the foreign born is that unemployment in 2007 has fallen more for men than for women.

Figure 3. National employment 2007, per cent



Source: Statistics Sweden

The number of people in the labour force has increased markedly in recent years. The increase is most likely due to an increase in the population, the improved labour market situation, and to a number of reforms that have stimulated labour force participation. The increase has been somewhat larger for women than for men. The biggest increase in 2007 was in the group aged 20-24. As a result of demographic change, the younger age groups in the working age population will increase in the coming years. This is expected to have a positive impact on the labour force. The large number of people born in the 1940s has contributed to the increase in the labour force volume in the groups aged 60-64 and 65-74.

Table 5. EU employment target and outcome for Sweden in 2007, Per cent

| | | Total | Men | Women | Older workers 55 to 64 |
|------------------------------|------|-------|------|-------|---------------------------|
| Employment rate, 15-64 years | 74.2 | 76.5 | 71.8 | 70.0 | |
| EU target for 2010 | 70.0 | | 60.0 | 50.0 | |

Source: Eurostat.

Labour market developments in the first half of 2008 have continued to be positive with respect to the number employed and unemployed. A worse economic situation, fewer job vacancies registered with the Public Employment Service and an increase in the number of dismissal notices are, however, expected to mean that labour market conditions will worsen in the second half of 2008. According to the Government's latest

forecast in the 2009 Budget Bill, unemployment is expected to increase to 6.4 per cent in 2009.

Productivity and quality in work

Productivity developments have been important in the development of welfare. One important explanation for Swedish productivity growth is technological development. It concerns new and improved products as well as new forms of production and organisation. In recent decades investment in IT in particular has contributed to productivity growth in Sweden.

Average productivity growth in Sweden 1980-2007 have been about 1.8 per cent per year. The Government's forecast for 2008 is considerably lower, with a negative productivity development of -0.7 per cent, which can be explained in part by cyclical factors. When the effects settle, the productivity growth is assumed to rise faster than the normal productivity trend in 2009-2011.

Table 6. Productivity growth, annual percentage change, fixed prices

| | Average 1980-2007 | 2008 | 2009 | 2010 | 2011 |
|----------------------|----------------------|-------------|------------|------------|------------|
| Total economy | 1,8 | -0,7 | 2,1 | 2,7 | 2,3 |
| General government | | | | | |
| agencies | | 0,1 | -0,9 | 0,1 | 0,1 |
| Industry and trade | | -1,3 | 3,1 | 3,2 | 2,7 |

Anm.: Labour productivity measured as value added to basic price per worked hour
Source: Statistics Sweden and Ministry of Finance.

In order to strengthen productivity in the Swedish economy in the long term, the Government has implemented and proposed a number of measures. Access to risk capital has been improved by abolishing the wealth tax and making changes in the taxation of closely held companies (see section 3.5 Easier and more attractive to start and run a business). Special funding has been set aside to promote entrepreneurship among women and people with foreign backgrounds. The Swedish Competition Authority's work fighting cartels has been strengthened. The Government has been working on a long-term initiative to improve the quality of higher education. In 2008 considerable effort has been made in the areas of infrastructure and research. Additional measures were presented in Chapter 3 Microeconomic policy. The way in which the work is organised and the capacity to make use of staff members' skills are important factors in productivity growth, as well as for individual well-being. The Government would like to emphasise, therefore, that a good workplace should not only have a good working environment but also provide opportunities for employees to participate and develop based on their individual potential.

Today there is an active and knowledge-based work environment action in many workplaces. Knowledge about the connection between

the individual, the organisation and the activity as well as how a practical, systematic work environment action conducts, must however, be found at all workplaces. The aim of the work begun by the Government in 2007 is to contribute to the comprehensive jobs policy, which will emphasise the importance of the work environment to improve competitiveness (see section 4.3 A well-functioning labour market).

Social cohesion

The general welfare policy is the foundation for creating social cohesion and equal opportunities for all. A welfare policy that includes everyone has the best chance of creating sufficient, accessible and financially sustainable social security systems. It is also the basis for Sweden's Strategy Report for Social Protection and Social Inclusion 2008-2010, which the Government presented in September 2008. The report contains national strategies for pensions, health and medical care, and elderly care and an action plan for social inclusion.

In the action plan the Government lists four goals that have been given priority in the coming years' work on combating poverty and social exclusion. The objectives involve increasing opportunities for the elderly for social inclusion, reducing exclusion among young people, reducing absenteeism in working life due to illness and continuing to improve the position of particularly exposed groups. The latter concerns developing support and protection for women subjected to violence and their children, improving the chances for addicts to overcome it, to continue to fight homelessness and exclusion from the housing market and measures for people with mental illness and for preventing mental illness among young people.

Territorial cohesion

From a European perspective, the regional differences in employment and unemployment are relatively small in Sweden even though they do occur. In 2007 the employment rate for those aged 16–64 was highest in Kronoberg County at 80.3 per cent and lowest in Östergötland County at 72.1 per cent. The difference between the counties with the highest and the lowest employment rates has continued to decline and the regional differences in employment have thus fallen steadily since 2004.

The Government's policy with its focus on reducing exclusion, putting more people to work and making it more profitable to run a business remains firmly in place. Sweden's national strategy for regional competitiveness, entrepreneurship and employment 2007–2013 (see Chapter 5 The EC Structural Funds programme in Sweden for the programme period 2007–2013) – a strategy that has laid the groundwork for the implementation of EC Structural Funds in Sweden and serves as a guide for regional growth programmes and national government agencies – is an important tool in this work. In the strategy, the Government identifies skills provision and an increased supply of labour as one of four national priorities in the years to come.

4.2 A labour market for all

Guideline 18 – Promoting a life cycle approach to work

Guideline 19 – Ensuring inclusive labour markets, enhancing work attractiveness and making work pay for jobseekers, including disadvantaged people and the inactive

Sustainably increasing employment and giving priority to those most detached from the labour market in order to reduce exclusion is central to the Government's policy. Creating more routes to employment, making it more attractive to work and strengthening the work-first principle are therefore important goals of the Government's policy. Everyone's desire and capacity to work must be turned to good account not only so that people are able to support themselves, but also because all resources in society are needed if there is to be sustainable growth and improved welfare.

More routes to employment

Both general measures, (such as the in-work tax credit), and targeted measures, (such as new start jobs and step-in jobs), form the basis for the Government's policy of creating a labour market open to everyone. Specially targeted labour market policy measures have been designed for young people, older workers, people with disabilities that mean a reduced capacity to work, the sick and people born abroad. In autumn 2008 the Government has also proposed a substantial cut in social security contributions for young people in order to increase the demand for young workers (prop. 2008/09:7). In order to manage the demographic change in society, measures for older workers will provide incentives and make it possible to work longer. The Government will overhaul the special support measures for people with disabilities resulting in a reduced capacity to work so that more people are able to take advantage of the measures. New regulations have been introduced for a more active sick leave process and measures targeted at newly arrived adults born abroad have been implemented to facilitate more rapid establishment in the labour market.

The aim of new start jobs, which were introduced on 1 January 2007, is to make it easier for people with a weak position in the labour market to get a job. To motivate employers to employ people who have not had a job for more than one year, financial support equivalent to the employers' social security contribution is available. As of 1 January 2008, new start jobs were enhanced in several respects. It then also became possible to get new start jobs in the public sector. A special new start job, ('well-again jobs'), which means that employers will get more tax relief, even bigger than employers' social security contribution for new employees who have received full compensation for at least a year in the form of a sickness benefit, rehabilitation cash benefit, or sickness and activity compensation, was introduced. Finally new start jobs were temporary expanded to include people who, under 2008, have been

registered with the Swedish Public Employment Service as part-time unemployed for at least two years.

On 2 July 2007 the job and development guarantee was introduced. The aim of the guarantee is to offer people who have been unemployed for a long time individually designed measures to enable them to find work as quickly as possible. The target group is those who have taken 300 days of benefits (450 days for parents with children under the age of 18) in one period of unemployment and jobseekers without unemployment benefits who have been continuously unemployed or participated in programmes and registered with the Public Employment Service for at least 18 months.

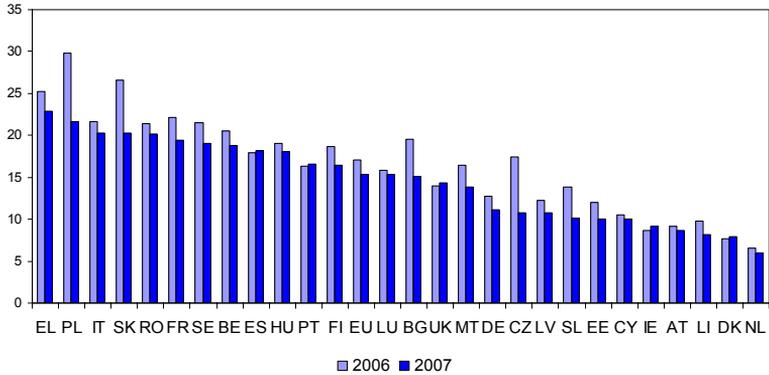
Activities in the job and development guarantee are divided into three phases. The first phase with a maximum 150 benefit days begins by mapping out what activities each participant requires and has individually adapted job-seeking activities including coaching or other preparations. In the second phase, participants have the opportunity to get experience or on-the-job training with the employer or a position with special employment support.

Jobseekers who after 450 days in the job and development guarantee have not got a job will be referred in the third phase of the guarantee to a job that matches their qualifications. This will be with a public or private employer, social firms or non-profit organisations and the employment will be for a longer period, but no longer than two years. During this time, the participant will continue to receive support from an employment officer/coach in order to have a better chance of getting a job. When a decision on a new period of employment is taken, the participant's qualifications are assessed again. Whoever provides employment for a participant in the third phase of the job and development guarantee will be eligible for financial support.

Measures for young people

The positive labour market developments in Sweden have favoured young people aged 15-24 in particular. Between 2006 and 2007 the employment rate increased, at the same time as the unemployment decreased more for young people than for other age groups. However, unemployment among young people is still high compared with both other age groups and other EU countries.

Figure 4. Unemployed young people aged 15-24, per cent of the labour force



Source: Eurostat.

Despite the large proportion (from an international perspective) of young people who are unemployed at any given point in time, many young people are quick to find work or begin an education. Therefore unemployment among young people is often short-lived. The average time in unemployment in 2007 was 12 weeks for young people aged 15–24, compared with 32 weeks for people aged 25–54 and 45 weeks for people aged 55–74 (LFS).

There are a number of reasons for the higher employment among employers’ social security contribution young people. Young people’s often limited work experience together with relatively high employment costs may make it difficult for young people to get a foothold in the labour market. Moreover, some young people leave upper secondary school with skills that do not match the requirements and needs of the labour market (see section 4.5 Increased knowledge and quality in the educational system). The general measures that the Government has taken to move towards a more effective labour market policy are expected to help solve some of these problems. One of these measures is new start jobs which have a broad target group. Young people between the ages of 20 and 24 are eligible for new start jobs after six months of unemployment. Not quite 7 per cent of the almost 17 000 people who had a new start job on 31 July 2008 were young people under the age of 25 (of these, 26.5 per cent were women and 73.5 per cent were men).

The Government’s reform package to combat youth unemployment (see Sweden’s Reform Programme for Growth and Jobs 2006-2008 and the Progress Report 2007) aims to increase the demand for young workers and strengthen the incentives for young people to work or get an education and contains a number of targeted measures.

To make it easier for young people to enter the labour market, the Government in July 2007 introduced a reduction in the total levy of social security contributions and the payroll tax for people who at the beginning of the year were over the age of 18 but younger than 25. Since youth unemployment is still high, the Government thinks that there is reason to further stimulate the demand for young workers and thus make

it easier for more young people to enter the labour market. Therefore, the Government proposed a bigger reduction in social security contributions beginning in 2009 (prop. 2008/09:7). The proposal involve that the age group will be broadened to cover everyone under the age of 26 at the beginning of 2009 and there will be a further reduction in contributions. The reduction of the lower age limit will increase the opportunities for young people who want to work during school holidays and make it easier for young people who for various reasons want to begin working before the age of 18.

The total employers' social security contribution for young people proposed be lowered to 15.49 per cent. The total reduction in effect means almost a halving of employers' contributions compared with full fees.

The job guarantee for young people, which was mentioned in the Swedish Reform Programme for 2006-2008 and in the 2007 Progress Report, was introduced in December 2007 and replaced already existing youth programmes. The aim of the job guarantee is for unemployed young people to get a job matching their job skills as quickly as possible or alternatively to begin or resume an education in the regular education system. The job guarantee covers young people between the ages of 16 and 24 who have been registered with the Public Employment Service for at least three months. Young people receiving unemployment benefits who are part-time unemployed or work by the hour are also covered. The job guarantee first offers young people a detailed skills assessment, study and vocational guidance, and job-seeking activities with coaching. After an introductory period, matching measures can be reinforced with measures such as practical work experience or shorter training programmes.

Participation in the job guarantee programme is limited to a maximum of fifteen months. However, participants are no longer eligible once they reach the age of twenty-five. Compensation for participants is designed in such a way that it will not be worthwhile to be unemployed compared with studying in the regular education system.

The regulations in the Employment Protection Act have been changed (see section 4.3 *Labour legislation: flexibility and security*). Employing people on fixed-term contracts has become easier. Employment on fixed-term contracts can act as a route to permanent employment for people who are not yet well established in the labour market, such as young people. It facilitates recruitment and work force expansion and makes it possible for young people to get work experience.

To make it easier for young people to enter the labour market, it is important to strengthen the link between education and working life. The Government is therefore providing funding for apprenticeship and vocational training (see section 4.5 Increased knowledge and quality in the educational system).

Continuing implementation and evaluation of the European Youth Pact

In 2008 the Government has continued to take a large number of measures for young people, not least in education, aimed at aid young

people's establishment in the labour market. Measures in accordance with the goals of the European Youth Pact can be found in guidelines 14-15, 17, 18, 20, 23 and 24.

The National Board for Youth Affairs has proposed measures for improving municipalities' work with the European Youth Pact. The measures were reported in last year's reform programme and have resulted in two new remits to the Board. The first involves the collection and propagation of knowledge and methods to local actors on how to provide support to parents under the age of 25 to resume their education or re-enter the labour market, in light of the higher risk that young parents face of ending up outside both the education system and the labour market. The aim of the second remit is to support the municipalities in their work to develop frameworks for youth participation at the local level. Reports for both remits will be presented in spring 2009.

At present an evaluation of cooperation on youth policy in the EU since 2001, including European Youth Pact work, is under way in all Member States. The Swedish report, which will be sent to the Commission in autumn 2008, is currently under preparation in the Government Offices. The Swedish National Board for Youth Affairs, the National Council of Swedish Youth Organisations and the Swedish Association of Local Authorities and Regions have all contributed to the evaluation.

One of the preliminary conclusions about the European Youth Pact is that, despite certain shortcomings, it has clearly contributed to enhancing the youth perspective in the work on the Lisbon strategy.

Equal opportunities for women and men in the labour market

Strengthening the work-first principle is the basis of the Government's policy. More people, both women and men, must enter the labour market and have the opportunity to work to the extent they wish. Most of those not in the labour market are women and women to a greater extent than men are part-time unemployed and employed by the hour. The Government will carry out reforms to improve gender equality between women and men in line with the goals of both the European Youth Pact and the Pact for Gender Equality.

The Government has enhanced families' freedom of choice by giving parents greater control over their own lives. Women and men will be able to combine work and family life on equal terms. The Government's reform of family policy has made it easier for both parents to participate in working life and look after their children. The reform contains a gender equality bonus to stimulate an equivalent use of the parental allowance between men and women, a possibility for municipalities to introduce a child raising allowance, a greater educational role for the preschool and a childcare voucher system to increase the parents' freedom to choose child care which fits their children. The latter parts in the reform will be implemented gradually starting on 1 January 2009.

The series of measures that the Government has taken to make it more worthwhile to work encourages women and men to work and to increase

the number of hours they work (see section 4.2 see **Strengthening the work-first principle**). The Government has also made it easier for employers to hire and has created better conditions for women to start and run a business (see section 3.5 Easier and more attractive to start and run a business). Moreover the Government has taken measures to provide a stimulus to fathers to use a greater share of parental leave and measures to make daily life easier for families (see below).

A comprehensive programme in line with the European Pact for Gender Equality

Gender policy has to include all policy areas and permeate all government policy. When men and women share power and influence in all aspects of community life, we will have a more fair and democratic society. Gender equality is also supportive of economic growth as it promotes the competences' and creative forces' of individuals. The Government has since 2007 sharply increased resources for gender equality policy, which has contributed to reducing the differences between men and women in terms of employment, business start-ups, education and the ability to earn one's living.

The reform of family policies has resulted in the strengthening of women's situation in the labour market as well as improving the work life balance for both men and women. The Gender Equality Bonus which was introduced on 1 July 2008 aims at stimulating men to use a greater share of parental leave and at promoting women's return to work. This measure should lead to a lower gender pay gap and in as much, lower differences in total earnings over the life cycle. The Government intends to make a careful evaluation of how well the gender equality bonus fulfils its aim and be prepared to come back with proposals on both the design and size of the bonus.

The Government's programme to promote women's entrepreneurship 2007–2009 continues. One concrete example of the programme has been the appointment of 880 ambassadors who will disseminate information, create networks and inspire more women to start up businesses. The Government has also intensified measures to support women's careers in the state sector with the aim of reaching the 2010 target of eliminating unjustified wage differentials between men and women within the state sector. A specific programme (2008 – 2010) has been introduced to this aim. The Government's work with putting forth a comprehensive strategy for gender equality in the labour market and the business sector has commenced and is expected to be finalised in 2009.

Measures which fall under the Gender Equality Pact are presented in guidelines 9, 14,15, 17-19, 22 and 24

A longer working life

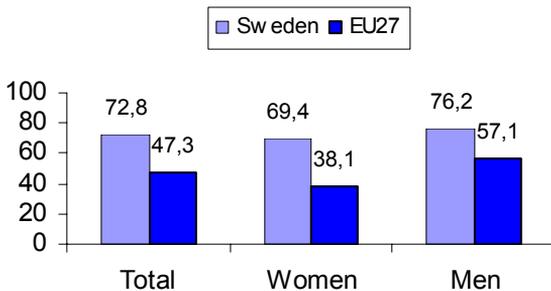
The Government conducts an active policy to get more people into employment. The labour force supply should increase and the working life be prolonged. The policy reforms presented in Sweden's Reform

Programme 2006–2008 and the Progress Report in 2007 aim to do just that. They include general measures such as the in-work tax credit (see section 4.2 *Tax measures*), where the credit is higher for people aged 65 and older, at the time taxation year starts. It has also become less expensive to employ older people due to the elimination of the special employers' contribution for people who have reached the age of 65. In addition new start jobs (see section 4.2 **More routes to employment**) are more advantageous for people aged 55 and over since they have a right to support for twice as long as they have been absent from the labour market. By the end of June 2008, people aged 55 and over held 21 per cent of all new start jobs.

On 1 July 2007, the Government abolished older employees' right to count the time of employment twice. The aim is to eliminate the risk that employers would find it less attractive to employ older workers and to improve older workers' labour market mobility.

Labour force participation among older people is higher in Sweden than in other EU countries (see figure 5). In 2007 73 per cent of people aged 55 to 64 were in the labour force, compared with the EU average of 47 per cent. The discrepancy is even greater for women aged 55–64. In 2007 69 per cent of all women participated in the labour force in Sweden compared with 38 per cent in the EU27. Labour force participation for men aged 55–64 was 76 per cent in Sweden compared with 57 per cent in the EU27.

Figure 5. Labour force participants for people aged 55-64, percentage of the population in same age group percentage of the population



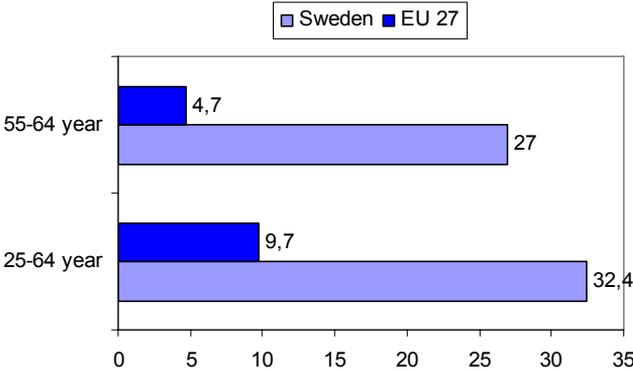
Source: Eurostat

In recent years employment has increased proportionally more for people in the age group 65–74. A good part of the increase is demographic, but the 11 per cent employment increase between June 2007 and June 2008 is larger than the population increase of 4 per cent.

Lifelong learning is important in order for older workers to keep up their skills. Sweden has a high level of training for people of all ages. Figure 6 shows the percentage of the population by age group who participated in training programmes in the four weeks prior to the survey.

Older people participate in training programmes to a lesser extent than younger people, but compared with other EU countries, Sweden has the smallest percentage difference in a comparison of people aged 55–64 with those aged 25–64.

Figure 6. Percentage of the population participating in training programmes



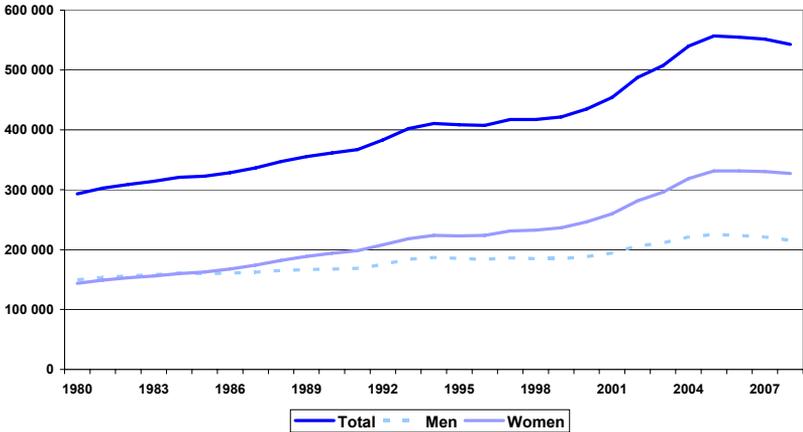
Source: Eurostat

Less sickness absence

Reducing sickness absence is a key part of the Government’s policy for rectifying exclusion. Sickness insurance has been reformed, by the improvement of the sick leave process so that fewer people are on long-term sick leave and by the implementation of measures to make it easier for people with sickness compensation to return to work. Measures have also been taken to encourage employers to employ people who have been on sick leave for a long time.

On 1 July 2008 a new sick leave process – the rehabilitation chain– was introduced. It has fixed checkpoints for assessing work capacity. With early measures, it aims to better use individual's capacity to work and to make the sickness insurance more legally secure and predictable for the insured. During the first year of sick leave, this assessment will be gradually broadened from only assessing whether the insured person is able to perform his or her usual work to whether the insured person can earn a living by performing any kind of work in the labour market. For insured people to be regarded as entirely incapable of earning their own living, their capacity to work must be assessed as being significantly impaired.

Figure 7. Number of people receiving sickness or activity compensation 1980-2007



Source: Swedish Social Insurance Agency

Sickness benefit (corresponding to 80 per cent of the income on which sickness benefit is based) will in future be paid for only 364 days over a period of 450 days. People who are very seriously ill can, however, receive sickness benefit for more days. After this period, the insured can apply for extended sickness benefit (75 per cent of the income on which sickness benefit is based). Extended sickness benefit can be granted for a maximum of 550 days.

To strengthen the rehabilitation chain, the Government has allocated a total of SEK 3.4 billion for 2008-2010 aim to develop an occupational health service and to build up an evidence-based medical rehabilitation guarantee. The aim is to give employers and employees access to an occupational health service that will be able to help in the early identification of illness in order to prevent long-term sick leave and also act as a support for both the employer and employee in the sick leave process. Beginning 1 July 2008, it is possible for occupational health service units to enter into agreements with county councils on offering these services to employers.

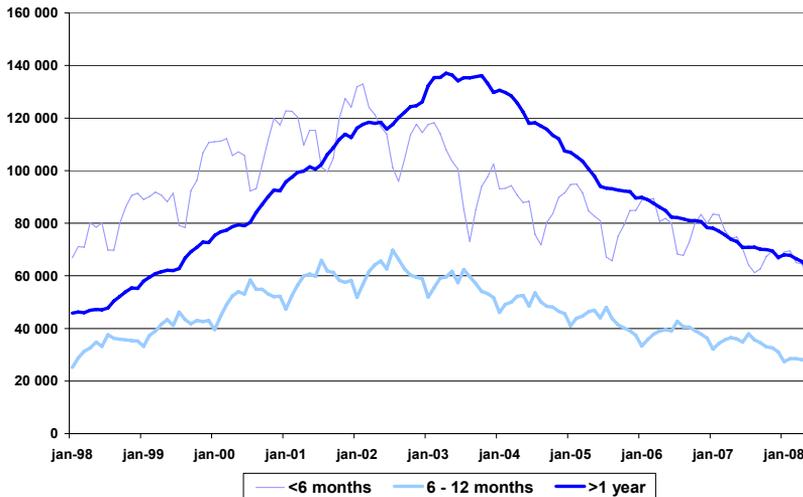
The rehabilitation guarantee will gradually come into force in 2008 for those illnesses for which there is scientific support for regaining the capacity to work. In addition funds are being allocated for evidence development concerning other methods of treatment and diagnoses. The National Board of Health and Welfare, on the instructions of the Government, has drawn up medical insurance decision support tools to guide doctors in determining periods of sick leave. The aim is to reduce the large regional differences in sick leave practice.

In January 2008 the Government gave the Swedish Social Insurance Administration and the Swedish Public Employment Service a remit for a pilot project to try new measures so that more people on long-term sick leave who are considered to still have some work capacity, will be able to get jobs. The pilot project will be undertaken in four regions and include

at least 1 500 people in 2008 and 2009. As part of the remit, support professionals will be engaged to help people on long-term sick leave return to work. The aim is to try and see if engaging support professionals who are paid based on their performance and the results they achieve can more quickly and effectively provide those on long-term sick leave with support to regain their capacity to work and obtain a regular job. This type of activity with support professionals can be found in a number of countries, both inside and outside the EU, and has had good results. The Swedish Social Insurance Administration will be responsible for selecting participants to the pilot project and the Swedish Public Employment Service will procure the services of the support professionals. The Government considers it important in the pilot project to make use of the possibilities that exist in social firms for supporting people on long-term sick leave.

To encourage and make return to work easier for people granted long-term sickness compensation before 1 July 2008, special rules will apply from 1 January 2009. People covered by the special rules will be able to return to work without a reassessment of their right to compensation. Sickness compensation will instead be reduced by half of the income the insured person receives from his or her paid job. However, sickness compensation will only be reduced when the annual income from working exceeds what is termed the income ceiling (about SEK 42 800 for 2009) for an insured person granted full sickness compensation. For people receiving partial sickness compensation, the income ceiling will be higher. All these measures are expected to help sharply reduce sickness absence in Sweden to a considerably lower and more stable level.

Figure 8. Sickness absence, by month, Jan. 1998 – January 2008



Source: Swedish Social Insurance Agency *Special measures for people with disabilities*

Many people who have reduced capacity to work as a result of a disability have difficulty finding a job regardless of the economic

situation and in some cases depend on special initiatives to enter the labour market. The special initiatives in labour market policy are wage subsidies, development employment, security employment, sheltered employment with public sector employers and sheltered employment at Samhall AB, etc. for people with disabilities resulting in reduced capacity to work. The aim of these initiatives is to reduce unemployment, increase productive employment and make possible a transition to a job without support. The total cost of these special initiatives was about SEK 14 billion in 2007, which is SEK 2.3 billion higher than in 2006. In order to get more people working who have reduced work capacity due to a disability, the Government has increased the resources available for wage subsidies and to Samhall AB by SEK 1 billion during its term of office.

In the Government Offices, a review is under way of the support for this target group aimed at making these initiatives more effective and increasing the number of transitions to unsubsidised work. The aim is to get more people participating in the measures. In the 2009 Budget Bill the Government has proposed raising the maximum ceiling on vocational assistive devices and personal assistants. Support for vocational assistive devices given to employed people, the self-employed or participants in labour market policy programmes will be raised to a maximum of SEK 100 000 a year (currently SEK 50 000). Support for personal assistants should be raised to a maximum of SEK 60 000 per year for the employed (currently SEK 50 000) and to a maximum of SEK 120 000 per year for the self-employed (currently SEK 100 000). The aim is for employers to hire more people having a great need of support.

The Government also considers it important for people with reduced capacity to work due to a disability to be given the same conditions as others for starting and running their own business. In the 2009 Budget Bill, the Government announced that the matter will be given further analysis while the wage subsidy's suitability for promoting entrepreneurship among people with reduced work capacity due to a disability should be reconsidered.

Social firms

One of the Government's most important tasks is to end the exclusion that characterises many people's lives. Social firms as a form of company in Sweden and other European countries have proved to be capable of creating jobs for people most detached from the labour market. In social firms, job opportunities are created that make use of the individuals' capabilities and possibilities for rehabilitation as a step towards work in the regular labour market. Social firms can thus help end exclusion.

In November 2007 the Government gave the Swedish Business Development Agency (NUTEK) a remit to draw up a cross-sectoral programme with proposals for measures to provide a stimulus for more social firms to start and grow. A programme proposal was submitted to the Government in May 2008. Its aim is to stimulate organisations as well as individuals to risk starting social firms. The proposal is currently being studied by the Government Offices.

Vägen ut! – an example of a social company in Sweden. The *Vägen ut!* cooperative was started in August 2002 as a partnership in the EU programme EQUAL. The first cooperatives took three years to establish: Villa Solberg – a halfway house for men, Karin's Daughters – job training for women, Café Solberg – a café and catering business with job training. In 2008 the *Vägen ut!* cooperatives employ over 30 people and there are some 30 more in job training and in residence. *Vägen Ut!* takes an active part in spreading business ideas in Sweden and Europe through social franchising and hotel chains and halfway houses are in the process of being built. In 2007 the *Vägen Ut!* cooperative had a turnover of SEK 9.4 million.

Source: "Programme proposals for more and growing social firms" ("Programförslag för fler och växande sociala företag")Nutek.

Improving integration for people born abroad.

It is important with a fast establishment in the Swedish labour market for people born abroad. Especially for people with high qualified work experience or an university degree. It is important for the society as a whole to benefit to the fullest of everyone's skills and competences. A fast labour market establishment is also of great importance for the individual person since it facilitates integration. Despite good employment growth since 2006 for both women and men born abroad, differences in both employment and unemployment between people born in Sweden and abroad persist. The differences are greater for women than for men. In 2007 unemployment among people born abroad (11.9 per cent) was more than double that of people born in Sweden (5.5 per cent). The number of people born aboard has had a significant rise in 2007 and in the beginning of 2008 but no significant change has occurred in the spring of 2008, which is probably due to the high number of immigrants during the same period.

Table 7. Employment rate foreign/Swedish born ages of 15-74, 2006 and 2007, per cent

| | 2006 | 2007 |
|----------------------|------|------|
| Women born in Sweden | 65.0 | 65.9 |
| Women born abroad | 52.3 | 53.3 |
| Men born in Sweden | 69.9 | 70.8 |
| Men born abroad | 60.6 | 61.8 |

Source: Statistics Sweden

Efforts by Public Employment Service to improve the labour market position of people born abroad shall have focus on the general policy. Special measures for people born abroad are warranted only for newly immigrants as their needs are often different from other jobseekers with regard to, in particular, their knowledge of Swedish, their contact network and their experience in the Swedish labour market. Measures targeted at newly arrived adults born abroad should be clearly focused on rapid establishment in the labour market. Remuneration systems for both

organisers and participants will be designed to provide clear incentives for employment.

Among the Swedish Public Employment Service's general measures, both the job and development guarantee and the job guarantee for young people have been offered to a large percentage of people born abroad. In the job and development guarantee the share of people born abroad is 28 per cent and in the job guarantee for young people it is 17 per cent. A high percentage of those who have got new start jobs have been people born abroad (over 30 per cent) The measures are still so new that a comprehensive picture of what impact participation has had on the establishment of people born abroad in the labour market is lacking.

The aim of step-in jobs, introduced 1 July 2007, is to move forward newly arrived immigrants' establishment in the labour market. Step-in jobs shall be combined with, Swedish language training. The programme had a slow start but after some changes in the regulatory framework, volumes have risen 70 per cent in 2008. However, there is need and scope for many more step-in jobs. After the changes in the regulatory framework, the time frame within which step-in jobs can be granted has been extended from 18 to 36 months after a residence permit has been granted. In addition the length of time for which support can be given has been extended from 18 to 24 months. At the same time, the compensation level to public employers was raised to the same level in effect in the private sector, that is to say, 75 per cent of wage costs to a maximum of SEK 750 a day. The requirement for the employer to report to the Public Employment Service a plan on how the instruction is to be conducted before a job is granted has been eliminated. However, the requirement for instruction still stands.

The Government presented a comprehensive integration strategy (Egenmakt mot utanförskap – regeringens strategi för integration skr. 2008/09:24) in a special report in connection with the 2009 Budget Bill. In labour market policy, there is a proposal for a pilot project with establishment consultations for newly arrived immigrants in 2009 and 2010. The proposal means that the Public Employment Service will be responsible for drawing up an establishment plan for newly arrived immigrants as soon as a residence permit is granted. The intention is that information on where in Sweden there is a demand for the skills the newly arrived immigrant possesses, or has considered acquiring, will have greater importance in the choice of a place of residence. The Government is also announcing a forthcoming Bill on reforms to governance, responsibilities, design and financing of the reception of refugees and other measures to accelerate individuals' establishment in the labour market. With the aim of further improving newly arrived immigrants' opportunities to get established in the labour force, increased resources for supplementing foreign higher education and for validating professional skills acquired abroad are also proposed. To clarify municipalities' and government's responsibility in reducing exclusion from the labour market in the concerned areas, local development agreements are concluded with larger regions. The Swedish Social Insurance Administration and the Public Employment Service are commissioned to form local partnerships with municipalities who sign local contracts.

Since 1 July 2007 the Swedish Migration Board and the county administrative boards have had the task of ensuring that the municipalities have the preparedness and capacity to receive refugees. At the same time the Government has clarified the responsibilities of certain government agencies, the Swedish National Agency for Education, the Public Employment Service, and the Swedish Social Insurance Administration, for newly arrived immigrants. The focus of refugee reception is to be cooperation by the municipalities and the county agencies concerned on refugee reception and the introduction process in order to be more effective. Agreements on the reception of refugees must be made in the first instance with municipalities where there is a strong labour market within commuting distance.

The augmentation of the Public Employment Service's resources for professional assessment made on 1 July 2007 has not had the expected impact. Only 200 people have taken part in the programme. The aim of professional assessment is to enable unemployed people with little or no experience of Swedish working life to present their skills at an early stage and have them assessed. A professional assessment can be carried out in a workplace or at an education provider for one day or up to three weeks. The Public Employment Service considers that the limited success can be found in the considerable difficulties in mobilising workplaces for conducting the assessments. Many employers are reported to have limited opportunities to set aside time for structured instruction, but language difficulties are also given as an explanation. The Government made clear in an ordinance in July 2008 that a professional assessment should be offered within three months after a residence permit has been granted.

In recent years the Government has given higher education institutions the task of arranging supplementary courses for people with foreign degrees. The courses are customised for different groups, for example, teachers and lawyers trained abroad and for people with health and medical care training from third countries. The Government is of the opinion that supplementary courses should be a part of regular education policy. To better meet the need for supplementary courses, the Government has presented in a written communication on integration policy and in the 2009 Budget Bill a major initiative for this type of training for 2009–2011.

One important group currently experiencing shortages in Sweden is people trained in health and medical care. The current system for recognition of health care training from countries outside the EU/EEA, including Switzerland entails long waiting times for certification and thus entry into the Swedish labour market. In the ministry memorandum, The way to Swedish credentials for people with health and medical care training from third countries (*Vägen till svensk legitimation för personer med hälso- och sjukvårdsutbildning från tredje land* Ds 2007:45), there are proposals for a fair and effective procedure for recognition of health care training from third countries for the professions where validation by the National Board of Health and Welfare is required. The proposal has been circulated for comments and the Government intends to introduce a new ordinance on the recognition of such training to come into force in 2009.

Strengthening the work-first principle

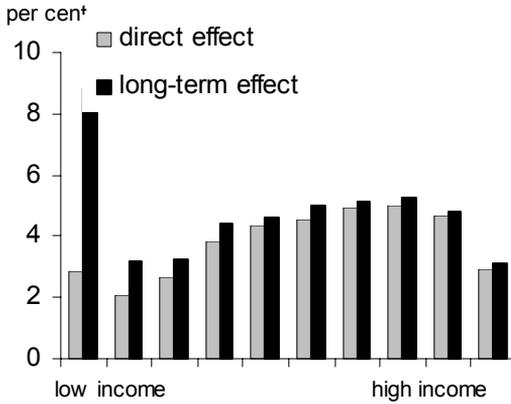
Making it more attractive to work and strengthening the work-first principle is an important goal of the Government. A fundamental part of this work has been to reduce tax on employment. The in-work tax credit was introduced in 2007 and reinforced by a second step in 2008. A third step will be introduced as of 1 January 2009. Moreover, measures have been taken to make unemployment insurance a re-adjustment insurance at the same time that measures for reducing the prevalence and volume of incorrect payments have been strengthened. A prerequisite for maintaining confidence and legitimacy in the social insurance systems is high legal certainty.

Tax measures

To increase the incentives to work, a in-work tax credit was introduced on 1 January 2007 and a strengthened in-work tax credit followed on 1 January 2008. The in-work tax credit also means a reduction in the average tax for all wage-earners. This also makes it more worthwhile to work for those who are currently outside the labour market. By lowering marginal taxes, the in-work tax credit helps strengthen the incentives for those who already have a job to work more hours. For low- and middle-income wage earners in particular, such as women working part-time, the lower marginal taxes are expected to have positive effects on the number of hours worked.

All in all the Government estimates that the first two steps of the in-work tax credit will lead to an increase of almost 1.5 per cent in the number of people employed and about a 2 per cent increase in the total number of hours worked. GDP is expected to increase 1.5 per cent in the long term as a result of these reforms. External forecasters who have evaluated the Government's policy, such as the National Institute of Economic Research, the Swedish Centre for Business and Policy Studies (SNS) and the Fiscal Policy Council, have made similar estimates. Employment and earned income may in the long term be expected to increase most for those with the lowest incomes (see figure 9).

Figure 9. Effect of the in-work tax credit on financial standard of the population as a whole in different income groups



on work done over a longer time), the benefits level has been lowered after 200 benefit days, the higher ceiling during the first 100 benefit days has been abolished, the right to receive unemployment benefits during breaks in full time education has been removed and the study condition has been abolished.

The Government estimates that the effect of the hitherto implemented measures and those proposed in the 2009 Budget Bill in on the unemployment insurance will increase employment by 0.3 per cent in the long term. The Swedish Unemployment Insurance Board estimates in a report, *The effects of changes in unemployment insurance (Effekterna av förändringarna i arbetslöshetsförsäkringen 2007:24)*, that the tightened work condition affects over 1 000 people and that the right to unemployment insurance during breaks in full time education was used by 19 000 to 24 000 people in 2006. It was also noted in the report that the new way of calculating daily earnings and normal working hours affects younger people to a greater extent than older people and men more than women. The daily allowance, however, is reduced more for women than for men as men generally have higher incomes than women have.

In 2008 the Government made other major changes to unemployment insurance. The waiting period was extended a further two days, from 5 to 7 days, with the aim of having people avoid short periods of unemployment.

The possibility of using benefits from the unemployment insurance fund as top-up in the event of part-time unemployment has been limited to 75 days. The aim is not only to strengthen part-time unemployed people's incentive to look for full-time work, but also to put pressure on employers to offer more full-time work. The newly introduced limitation rule makes the role of unemployment insurance as adjustment insurance clear.

In July 2008 an unemployment contribution was also introduced in place of the increased financing contribution. A starting point in the design of the unemployment contribution has been to enhance the link between benefits paid and the size of the contribution. Every month the unemployment insurance funds will pay an unemployment contribution to the central government corresponding to 33 per cent of the total sum of income-related unemployment benefits they have paid out during the month. This means that change in the paid out unemployment benefits has a direct impact on the fee that the unemployment insurance fund will pay to the central government and thus on the membership contribution in the fund. In practice the change is reckoned to mean a reduction in the fee paid by the fund to the central government and thus a reduction in the membership fee for a majority of all the unemployment insurance funds. The estimated long-term effect is an increase in employment of 0.3 per cent.

In the 2009 Budget Bill, the Government has proposed a number of measures aim to facilitate new entry and re-entry into the unemployment insurance funds. The unemployment contribution will be reduced about SEK 50 a month per employed person as of 1 July 2009. By reducing this fee, the costs associated with the transition from unemployment to employment are reduced. At the same time, the clear link between

contributions and payments is maintained, as are the positive effects of the current self-financing on wage formation. There is a ceiling on the unemployment contribution of SEK 300 per employed member. Those unemployment insurance funds that will have an unemployment contribution after the reduction corresponding to the ceiling are not affected.

Furthermore, there is a proposal to amend membership requirements temporarily so that members in an unemployment insurance fund in 2009 will be able to count one month extra for each month of membership in 2009. The aim is that new members will qualify for benefits more rapidly in the event of unemployment.

In order to further facilitate joining an unemployment insurance fund, the Government also intends to simplify the admission requirements in line with the proposal made by the Inquiry on a compulsory unemployment insurance (SOU 2008:54). The requirement for having worked a certain time in order to join a fund will be abolished as of July 1, 2009. The requirement to be covered by the fund's sphere of activity remains unchanged.

In 2007 the Government appointed an inquiry chair to propose how the present unemployment insurance could be transformed into a mandatory insurance (ToR 2007:100). The inquiry was to report its findings to the Government no later than 30 September 2008. The Government found that the solution proposed, presented in a midterm report (SOU 2008:54) in May 2008, would require a too complicated technical system. Nonetheless, the Government still considers that there is a rationale for a mandatory unemployment insurance that grants income-related support in the case of unemployment to all those individuals who work and fulfil the insurance requirements. How the systems will be designed will be tested in a parliamentary social insurance inquiry.

Better control of the insurance systems

The Swedish Government thinks that maintaining confidence in the social security systems and their legitimacy is of the utmost importance. One prerequisite for this is that only those who are entitled to a benefit do in fact receive it; that is to say, there is a high degree of legal certainty. The occurrence of erroneous payments is a serious signal of inadequate legal certainty. People must be able to trust that the systems reach those who are entitled to them at the same time that errors and fraud are prevented and combated.

In its 2008 Budget Bill (Govt. Bill 2007/08:1), the Government reported a number of measures to reduce erroneous payments. The changes have been implemented in unemployment insurance and other systems and mean tighter rules and clearer regulatory frameworks for when and how benefits are to be paid in the event of unemployment.

The Government has given the Swedish Unemployment Insurance Board, IAF, a remit to report the extent of incorrect disbursements of unemployment benefits in 2007, the reasons for them and the trends and to estimate how many hidden cases there may be in the area. In August 2008 IAF made its report to the Government and found that the amount

demanded for repayment in 2007 was about SEK 170 million. There has been a decrease in the amount reclaimed in 2007, which can be explained by the decline in the number of benefit recipients and benefits paid out during that time. The amount demanded for repayment has, however, increased from 0.55 per cent in 2005 to 0.87 per cent in 2007. A probable reason for this is that the unemployment insurance funds, given the attention that erroneous payments in the welfare systems have received in recent years, have tightened control and are detecting more errors.

In May 2005 the Government appointed a commission with the remit to act as a coordination body for measures against erroneous payments from the public insurance and benefit systems. Also included in the remit was the submission of proposals for uniform methods of measuring the extent of irregularities over time and for objectives and result indicators for the work to reduce such occurrences.

In the three years that it has been at work, the Commission has identified erroneous payments and has estimated that 4 per cent of the approximately SEK 510 billion paid out annually from the welfare systems is erroneous. The assessment includes 'hidden cases', i.e., errors that are generally not detected. Half are deliberate errors on the part of the applicant, the other half unintentional errors made by applicants or agencies. Internal irregularities may also occur.

The Government will, based on the Commission's report, further review the social security systems with the aim of reducing erroneous payments.

The Swedish Social Insurance Administration's cooperation with the police and prosecutors has developed in 2007. The number of court convictions and summary punishment orders for social insurance offences has increased. The electronic exchange of information with the unemployment insurance funds, the Public Employment Service and the National Board of Student Aid and others to ensure correct payments has progressed during the year.

The Benefit Offences Act came into force on 1 August 2007. It includes an obligation for agencies to report suspicions about benefit fraud to the police. In 2007 the number of investigations by the Swedish Social Insurance Administration for reasons of suspected fraud came to almost 34 000, double those of 2006. Of these, erroneous payments were established in 7 500 cases. Almost 5000 cases were reported to the police.

The Government has given a remit to the Swedish Social Insurance Administration to report the measures it has taken in view of the new Benefit Offences Act and the strategy for fighting benefit fraud (the Västmanland's model). The Swedish Social Insurance Administration will provide an estimate of the total extent of erroneous payments and social insurance offences. Furthermore, the agency will report the result of the risk analyses conducted in 2008 of erroneous payments and report what measures the agency intends to take during the year in view of these results.

The Swedish Social Insurance Administration will also report the results of measures that have already been taken to prevent and reduce erroneous payments and benefit fraud. Together with the agencies concerned, the Swedish Social Insurance Administration will develop

cooperative measures to make the work to prevent erroneous payments more effective and efficient.

As a further step towards more legal certainty in the social security systems with improved effectiveness in the social insurance area, the Government intends to establish a new agency, the Social Insurance Inspectorate (-ISF) on 1 July 2009. The Inspectorate's mandate covers the social insurances dealt with by the Swedish Social Insurance Administration. ISF will also have the opportunity to scrutinise the Premium Pension Authority (PPM) and in future also those parts of the new agency and the Swedish Tax Agency that concern decisions on pensionable income. The Inspectorate will also examine the cooperation where social insurance is included and the interface between social insurance and other social security systems, at the central government, municipal and county levels.

The Council for Integration in Working Life

The social partners' contribution:

The Council for Integration in Working Life was formed by the social partners – the Confederation of Swedish Enterprise, the Swedish Agency for Government Employers, the Swedish Trade Union Confederation, the Swedish Confederation for Professional Employees, the Swedish Confederation of Professional Associations and the Swedish Association of Local Authorities and Regions – to support, follow up and further develop the work on integration in working life. Hence the Council works to fight ethnic discrimination and harassment in the workplace.

The Council works for increased integration in a number of different ways, including the exchange of experience and ideas together with practical guidance. The Council draws the attention of authorities and politicians to structures that have to be changed, visits workplaces, arranges hearings and research and training seminars, and develops and distributes information and educational material. The Council also honours businesses, government agencies, organisations and individuals who help increase integration in working life through practical work and good initiatives with a special award.

The following are joint projects carried out by the social partners in the Council:

- Distribution of the study material, Scenes from Working Life ("Scener ur ett Arbetsliv") and the Council's guide, Integration in Working Life – Guidance for Businesses, Government Agencies and Organisations ("Integration i arbetslivet – Vägledning för företag, myndigheter och organisationer").
- Information and marketing efforts to spread knowledge about the declaration of intent and Measures to Counteract Ethnic Discrimination in Working Life Act and the Council's study material, guides and projects.
- Methodology development and training of supervisors.

Projects carried out by the Council's members:

- Information on trial positions ('Prova-på-platser') where about 7 000 firms have received information directed at entrepreneurs and jobseeking immigrants (Confederation of Swedish Enterprise).
- Successful in spite of everything ("Framgång trots allt") and the Road to Work ("Vägen till arbete") are two books that contain both stories about immigrants who have succeed in Sweden and nine interviews with business executives/heads of human resources and a union career coach. (Confederation of Swedish Enterprise and the Confederation of Professional Employees).
- Reports for 2005 and 2006 regarding Municipal Foreign Born Employees ("Utrikes födda anställda i kommunerna") and County and Regional Foreign Born Employees ("Utrikes födda anställda i landsting och regioner") (the Swedish Association of Local Authorities and Regions).
- Open seminars with participants from central government agencies aimed at stimulating action by employers and the exchange of information about how to create better conditions for making effective use of people's abilities, irrespective of background and origins, and supporting forward-looking skills provision (Swedish Agency for Government Employers).
- Diversity and dialogue training (MOD (Mångfald och Dialog)) for union members in the municipal sector and surveys of members with an immigrant background and how they are represented among their elected representatives (Confederation for Professional Employees).
- The project Professional Colleagues ("Professionskollegor") conducted in 2006 and 2007 with a total of 100 participants in Stockholm, Göteborg and Malmö. The goal was for professionally active academically trained members of the Swedish Confederation of Professional Employees to mentor academically trained jobseekers with a foreign background or work experience (Swedish Confederation of Professional Employees).
- Joint measures – for local and regional work with respect to information and training programmes for elected representatives in the regional joint training committees (Swedish Trade Union Confederation).

4.3 A well-functioning labour market.

Guideline 20 – Improving matching of labour market needs
 Guideline 21 – Promoting flexibility combined with employment security and reducing labour market segmentation, with due regard to the role of the social partners

Greater international economic integration and accelerating technological development require a well-functioning labour market with effective matching and an ability to adjust on the part of both the individual and

firms. A good balance between security and flexibility in the labour market is necessary in order to make adjustment and mobility in the labour market possible with a view to increasing employment and reducing exclusion.

The design of the benefit, tax and social security systems (see section 4.2) and the quality of education (see section 4.4), as well as the design of labour legislation and a good work environment, are factors that affect the adaptability of individuals and firms.

The Government has made changes to labour immigration regulations to increase mobility and make it easier for the labour force in and outside the EU/EEA to live and work in Sweden.

The Government has, moreover, carried out measures to bring about a more effective matching of jobseekers and vacancies, both in Sweden and between Sweden and other countries, which presupposes well-functioning institutions and regulatory frameworks. To provide better service to jobseekers and in this way reduce exclusion, structural changes in central government agencies have been implemented, resulting in the establishment of a national integrated agency, -the Swedish Public Employment Service.

Modernising labour market institutions

On 1 January 2008, the Swedish Public Employment Service was established as a national integrated agency. It replaces the Swedish Labour Market Administration, which had two levels: at the central level, the National Labour Market Board and on the regional level, the 20 county labour boards, which included the public employment services. All the 21 agencies making up the Swedish Labour Market Administration were separate agencies, which the Government thought made governance more difficult and reduced effectiveness. The aim of the reform is therefore to achieve a more effective, uniform and fair public employment service. Furthermore, the Government's intention was to ensure that more priority is given to control functions in unemployment insurance, improved procurement of external services and a function for analysis, follow-up and evaluation of employment services.

An extensive effort is under way to increase cooperation between central government agencies. The goal is to have a place where citizens are better able to get comprehensive support from several central government agencies. In a large number of places around the country, the Public Employment Service, the Swedish Tax Agency and the Swedish Social Insurance Administration have begun work on offering services on the same premises and even coordinating certain simpler administrative tasks. In the long term this should lead to better contact between government agencies and citizens.

Improving matching of jobseekers and job vacancies

Improving matching of jobseekers and job vacancies is a priority for the Government. A measures-oriented and individual action plan will

therefore be drawn up for the jobseeker within thirty days. Ultimately all unemployed will have a personal coach who knows the jobseeker and has good contacts with potential employers. This will primarily be done within the framework of the job and development guarantee and the job guarantee for young people.

The Government has, as described in the Progress Report for 2007, supplemented the Public Employment Service's skills and the services it offers with several different actors. The aim is to enlarge and diversify the services offered and thus help improve matching and provide better service to the unemployed and help the unemployed get a job more quickly.

The Public Employment Service notes in its first Labour Market Outlook for 2008 that matching, in view of the economic situation, is generally working well. The Public Employment Service's efforts to match jobseekers with vacancies have intensified in several respects and jobseekers' own activities have increased. Jobseekers who are most detached from the labour market have been given priority.

The Public Employment Service has implemented a pilot study to test a profiling instrument at the Public Employment Services in Gävleborg County, with the aim of improving matching. The comparison between the pilot group and the peer group so far has not indicated any obvious differences. Both job chances and working methods appear to be largely the same for participants in the pilot study and the peer group. It is, however, too early to state an opinion on the instrument's effectiveness.

Removing obstacles to labour mobility in the EU

Sweden allowed free movement for workers from the first day of the EU enlargement on 1 May 2004 and again on 1 January 2007. The enlargement has had positive but marginal effects on the Swedish labour market. Few workers from the new Member States have elected to come to Sweden. In the first half of 2007, around 25 000 workers from the new Member States came to work in Sweden. An initially relatively low demand for labour, a compressed wage structure and unfamiliarity with the Swedish language on the part of most people outside Scandinavia are some of the possible explanations why so few workers have come to Sweden.

The Public Employment Service has, through EURES (The European portal for employment mobility), the important task of promoting mobility to and from Sweden. Together with EURES in Germany and Swedish employers, doctors have been recruited to work in Sweden. Cooperation of a similar nature has also taken place together with Denmark and Norway. European Job Days have been successfully arranged in nine places around the country to arouse interest in working in other Member States.

Facilitating labour immigration

The conditions under which future labour immigration to Sweden might take place are a much-debated political issue. The Government considers

it essential to broaden the possibilities for workers from countries outside the EU/EEA to come to work in Sweden. More labour immigration will alleviate the impact of future demographic trends in Sweden and constitutes an important complement to other measures to stimulate the labour supply.

A reformed regulatory framework that will provide more possibilities for labour force immigration has been proposed by the Government to enter into force on 15 December 2008 (prop. 2007/2008:147 Nya regler för arbetskraftsinvandring). The Swedish Riksdag will decide the matter in autumn 2008. The regulations are based on the demand for labour and are characterised by flexibility, efficiency and long-term sustainability. The new regulations mean, among other things, that the employer's assessment of the need to employ a person from third country will be given greater importance in decisions on work permits. The job vacancies will be advertised in EURES. An examination of whether the labour already exists and is available in the EU/EEA will not be conducted by any central government agency. In order for the Swedish Migration Board to grant resident- and work permits, wages and other terms of employment have to be at least equivalent to Swedish collective agreements or in line with practice within the relevant trade or sector. As before, the first work permit will be for a limited time but it has been proposed that the duration of them be extended. It will also be easier to get a permanent permit following a job with a permit for a limited time.

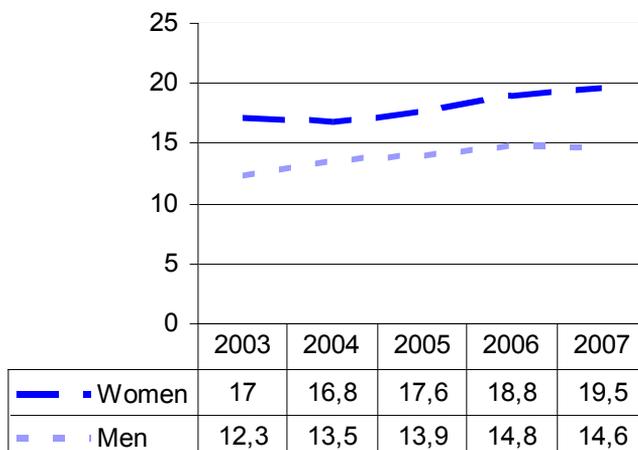
Labour legislation: flexibility and security

Labour legislation should contribute to a working life which satisfies the needs of both employees and employers for flexibility, security and influence. Labour legislation in Sweden generally provides good scope for combining secure labour market conditions with high employment. With collective agreements, the system can be adapted to the varying conditions that exist in different parts of the business sector. The social partners can also take responsibility for the development of a modern and well-functioning working life through their own initiatives. Thus, the Government will safeguard the Swedish model where conditions in the labour market are to a large extent regulated by collective agreements.

Permanent employment should be the foundation of the labour market, but employment on fixed-term contracts makes it possible for young people and people who are very detached from the labour market to get established and acquire some work experience.

The percentage of both women and men with fixed-term employment increased between 2003 and 2007. Between 2006 and 2007, it increased 0.7 percentage points for women and decreased 0.2 percentage points for men. A higher percentage of women than of men are on fixed-term contracts. Almost one in five women employed and more than one in seven men employed had fixed-term employment in 2007.

Table 10. Fixed-term employment 2003–2007, in per cent



Source: Statistics Sweden

As described in the 2007 Progress Report, Sweden has implemented reforms such as the regulation of fixed-term employment, which entered into force on 1 July 2007 and 1 January 2008. By reducing the number of types of fixed-term employment, the reform has simplified the regulations. The introduction of a type of employment known as general fixed-term employment improves the opportunity for fixed-term employment, but at the same time with a clear upper limit. A general fixed-term contract is possible with the same employer for a total of two years in a five-year period without stating special reasons. If such an arrangement continues with the same employer for more than two years, the position becomes permanent. One important parameter in the regulation is the social partners' opportunity through collective agreements to adjust the regulatory framework when needed, for example, to provide for special needs in different sectors.

Work environment and work organisation

A good working environment that provides scope for influence, responsibility, skills development and creativity on the job will help develop the business activity and thus create the conditions for growth and more jobs. The Government thinks that a good workplace should not only have a good work environment free from risk of injury or illness but also provide opportunities for employees to participate and develop based on their individual potential. This presupposes that work on the environment at the workplace is integrated into the planning, direction and operation of the activity in a systematic manner. A good work environment should be seen as a tool for success and a competitive instrument.

Work is under way in the Ministry of Employment to design the future work environment policy. The work will be done in broad cooperation with relevant actors and parties. An important starting point for the work is to create the conditions for more and better jobs that develop workers' potential and at the same time end exclusion from the labour market. As a basis for the ongoing work, a memorandum, The work environment and exclusion – a conceptual framework for the future work environment policy (Ds 2008:16, Arbetsmiljön och utanförskapet – en tankesamling för den framtida arbetsmiljöpolitiken) was presented in February 2008. It should also help reduce exclusion in the labour market and in working life by creating the basis not only for more jobs but also jobs with good working conditions that develop potential and make it possible for more people to participate in working life.

Within the framework of the work towards a better work environment, the Swedish Work Environment Authority's activities have been given more resources for work both to improve information and dissemination of information about the work environment and to strengthen the work on a well-functioning internal market in accordance with Sweden's undertakings in the EU.

The number of declared work-related illnesses and accidents has continued to decline since 2006 and in 2007 was at the same level as it was in the mid-1990s. Declared work-related illnesses have declined 47 per cent in the past five years. The number of accidental deaths came to 1.7 per 100 000 people employed in 2007. Despite some increase in recent years, the number of accidental deaths is still low. In comparison, the average for the EU15 in 2005 was 2.3.

Security and adjustment agreements

The social partners' contribution:

The social partners have negotiated security/adjustment agreements that promote flexicurity in the labour market. The aim of these agreements is to help workers who have been given notice due to shortage of work to find new jobs by means of adjustment measures and financial support. Deviations from the order of selection rules may be made through local negotiations. Some agreements also offer employees who are at risk of being declared redundant when the employer cannot continue to offer them employment help such as skills development, some financial support or support and advice in the form of measures that make the adjustment to a new job easier. Employers are also given advice and support in the adjustment process. By supplementing the efforts of the public employment service, the agreements help improve the security of workers and to geographic and professional mobility in the labour market. In this way, the necessary structural change will be more readily accepted by the employees concerned.

The central organisations of the unions and the employers' organisations negotiate the agreements together, and the programmes are administered by organisations specially established for this purpose, employment security councils or job security foundations. The employers

finance the activity by paying in a share estimated as a percentage of the total annual wage bill, at present between 0.15 and 0.3 per cent.

All employees in the collective agreement area covered by the adjustment agreement are included in the activity, regardless of whether they are union members or not. If an employee is given notice, the security council/foundation will take action and give the employee personal help to find a new livelihood. It can be anything from simple advice, such as how to improve a CV, to more far-reaching measures, such as changing occupations or starting a business. Several security councils and foundations emphasise that speed is crucial – assistance should be given as soon as possible after notice.

There are eight adjustment agreements in the Swedish labour market, covering about half the labour force. The social partners in the municipal sector have started negotiations aimed at an adjustment agreement. It may become one of the largest in the Swedish labour market, covering 1.1 million employees. If the negotiations result in agreement, most employees in the Swedish labour market will be covered by an adjustment agreement.

4.4 Well-functioning wage formation

Guideline 22 – Ensuring employment-friendly labour cost developments and wage-setting mechanisms

Well-functioning wage formation

The forms of wage formation in Sweden are primarily a matter for the social partners. This is the reason why there are no statutory minimum wages. The Government thinks that agreements are preferred to legislation since a broad understanding between the partners adds stability and legitimacy to signed agreements. In addition, a good regulatory framework that sets the rules for wage formation and strengthens the conditions for well-functioning wage formation is needed. Included in this framework are rules on strike and lockout actions, intermediation and a prohibition against unjustified pay differentials between women and men.

The National Mediation Office is a government agency with the tasks of mediating in labour disputes and encouraging a well-functioning wage formation. It was established in 2000. The establishment of the Mediation Office does not change the principle that the main responsibility for wage formation rests with the social partners. It is the Government's view that the wage formation process functions well and contributes to stability in the Swedish labour market. This is primarily a result of a consensus among the social partners that wage increases cannot be higher than permitted by the economy.

Wage discrimination based on gender

The pay differential has remained largely unchanged since the beginning of the 1990s. In 2007, women's pay was on average 84 per cent of men's pay. County councils have the largest pay differential while municipalities have the smallest when no allowance is made for differences in background factors. Allowing for differences in age, education, hours worked, sector and occupation, women's pay as a percentage of men's was 94 per cent in the labour market as a whole, 95 per cent in county councils, 99 per cent in municipalities, 94 per cent in the public sector and 92 per cent in the private sector. The private sector has the largest pay differential when allowing for differences in background factors.

The National Mediation Office has the task of analysing wage developments from a gender equality perspective. In 2007 several sectors where women predominate received extra pay increases. Under the Equal Opportunities Act, every year employers with 25 or more employees are to draw up a gender equality plan for equal pay. In the plan, the result of the survey and analysis are to be reported as well as any wage adjustments and other measures that need to be taken.

4.5 Increased knowledge and quality in the educational system

Guideline 23 – Expand and improve investment in human capital
Guideline 24 – Adapt education and training systems in response to new competence requirements Improve the quality and achievement of goals in the education system

Access to education of good quality is essential if Sweden is to maintain and strengthen its competitiveness. A good quality education provides individuals with the opportunity to develop their abilities and contribute to the development of society. The measures described in this section are being implemented in accordance with the strategy for lifelong learning (2007/3110/SAM).

The measures aim to:

- make free universal preschools more accessible, also for 3 year old children
- enhance the pedagogic assignment in preschools
- improve performance monitoring
- provide younger children in particular with more support in acquiring basic skills in reading, writing and doing arithmetic
- strengthen the schools' responsibility to convey knowledge and ensure that more young people achieve the goals established for compulsory school and upper secondary school
- better meet the needs both of students who intend to continue their studies at college or university and those who want to start work in

- a profession directly after upper secondary school or after further vocational studies by establishing a new upper secondary school
- strengthen post-upper secondary vocational training by means of a comprehensive framework via the vocational higher education institution and
 - further strengthen the quality of higher education

Research has shown that younger children's proficiency in mathematics and language is important for their continued development and learning. The Government intends to enhance the preschools' pedagogical mission in the curriculum by clarifying the goals in the preschool curriculum and strengthening preschool teachers and childcare workers' opportunities for further education and training. The proposal contains a total of SEK 600 million for 2009 through 2011. In addition, the free universal preschools will also cover three year olds and a childcare voucher system will be introduced. The Government in a special initiative has allocated SEK 900 million from 2008 to 2010 to strengthen the entities responsible for schools and schools' work on the basic skills of reading, writing and doing arithmetic. Pupils at risk of not achieving the goals are a priority group and focus will be on the early years in compulsory school.

A goal and a results oriented system must be followed up and evaluated on an ongoing basis in order to be able to determine whether the national goals have been achieved and to take relevant measures. In autumn 2008, the Government intends to submit a Bill on new goals and a follow-up system for compulsory schools in order to increase goal achievement. The starting point for the proposal is the report Clear goals and knowledge requirements in the school (Tydliga mål och kunskapskrav i skolan, SOU 2007:28).

The Swedish Schools Inspectorate was established on 1 October 2008 and has taken over the National Agency for Education's supervisory and quality assessment responsibilities and consideration of permit applications of independent schools. By creating a separate agency for the inspection of schools, both these two agencies will have better conditions for supporting goal achievement in schools. The Government is also of the opinion that more frequent and more stringent reviews of schools' academic achievements are needed.

From the 2008/09 academic year onwards, every pupil from grade 1 in compulsory school upward will be given a written assessment in each subject the pupil is taught. National goals for grade 3 in the subjects of Swedish, Swedish as a second language and mathematics are being introduced beginning with the academic year 2008/09 and the introduction of national tests in the same subjects are planned beginning in 2010. Moreover, beginning in spring 2010 the Government intends to introduce obligatory tests in the subjects of biology, chemistry and physics in grade 9 in order to provide better follow-up of students' academic progress and increase equivalence of teachers' appraisal and grading. In autumn 2008 the Government will present a Bill on a revised grading scale with more levels. The new grading scale will help clarify students' academic progress and increase the chances for more equivalence in the student appraisal process.

As part of the work to foster creativity and innovation and to help schools achieve their academic goals to a greater extent, the Government launched a long-term initiative at the beginning of 2008 Creative schools for students in grades 7 to 9 (Skapande skola för elever i årskurs 7-9). More than half of Sweden's municipalities have already been granted these stimulation funds. The Government's ambition is to gradually extend 'Skapande skola' to cover compulsory school completely. With this initiative, the Government has given municipalities and schools a good new foundation for working strategically with culture in schools.

During three years, the Government will allocate SEK 110 million on measures to break traditional gender patterns in school and promote gender equality. Among others, a gender delegation for school will be established to analyse and propose measures on gender differences in education and to counteract traditional gender patterns. Further measures are taken, for example, training for teachers and school staff on gender patterns as well as measures to reach a more even gender distribution within the teacher education.

Almost all Swedish young people begin upper secondary school, but there are still too many who leave it prematurely. Three out of four finish upper secondary school. This is considerably higher than the EU19 average of 60 per cent (OECD: Education at a Glance 2008). However, only two out of three Swedish young people meet the basic eligibility requirements for higher education. The Government therefore continues to take measures to improve the quality of the school system a priority in order to improve goal achievement and throughput. A Bill is being prepared to improve upper secondary schools based on the proposals presented in the inquiry report, Path to the future – a reformed upper secondary school (SOU 2008:27). The Inquiry proposes stricter requirements to qualify for admission to upper secondary school national programmes and better vocational training.

The Government will allocate a total of SEK 1.8 billion over three years, beginning in 2009, to give more people the chance to get vocational training and thus help improve business competitiveness. All parts of the initiative must adapt to the needs of the labour market.. In addition, a pilot project for an upper secondary school apprenticeship programme has begun with the aim of strengthening the link between vocational training and working life. There has been considerable interest and the pilot project will therefore be expanded in 2008/2009.

To combat the shortage of skilled labour and improve the status of vocational training, the Government will implement a programme for upper secondary vocational training within the framework of municipal adult education. For 2009, the Government will allocate SEK 200 million, including funding for study support, for this purpose. The programme is expected to cost SEK 400 million in 2010 and SEK 600 million in 2011. The adult education dimension must be flexible over time in view of the economic situation, labour market conditions and training needs. The adult vocational training initiative now proposed will lead to a positive shift in the content of Swedish adult education towards more vocational training.

The Government intends to establish a vocational higher education institution in 2009, where post-upper secondary vocational training not

available at colleges and universities will be concentrated. The aim is to ensure quality and legal certainty for students and to simplify the regulatory framework, increase transparency and improve the information available to students about the labour market. Quality improvements in higher education continue to be a high priority. A government inquiry (SOU 2007:81) has had the task of reviewing the system for the allocation of resources to universities and other institutions of higher education. An important starting point for the inquiry was that resources should to a greater extent be allocated according to quality. For example, the introduction of performance-based quality indicators as a basis for distributing central government appropriations for institutions of higher education for education on postgraduate level and research has been proposed.

As mentioned in the 2007 Progress Report, the Government is taking measures to reduce political involvement in the governance of university and other institutions of higher education and to strengthen their autonomy. At the same time the Government supports various forms of cooperation and even mergers between institutions of higher education that mean improved education and research environments and greater competitiveness at home and abroad.

Adult education plays an important role in adults' opportunities for learning, not least for those with little education. The Government has given the Swedish National Council of Adult Education a remit to carry out special measures in 2007 and 2008 aimed at improving opportunities for older people and other relevant groups to use modern technology.

The Government has also appointed an inquiry, the Student Welfare Committee (Studiesociala kommittén, U2007:13), which will consider and propose measures concerning students' financial and social situation. The aim of the measures will be for students to be able to support themselves and live a secure life during their student days. The Committee will consider whether the dividing line between the study support system and the social security system needs to be clarified to optimise their interaction. The Committee will also examine how study support can be used as an instrument for increasing throughput in higher education. The Committee is to present its report by 31 March 2009.

Measures for teachers and school heads

To increase teachers' skills and thus the quality of instruction, the Government is carrying out a large initiative for further education and training of professionally active qualified teachers. Allocations of close to SEK 3 billion are planned for 2007 to 2010 to give teachers the opportunity to deepen their knowledge both of the subjects they teach and of pedagogical methods and procedures. A total of 30 000 qualified teachers will be given the opportunity for further education during the period. The aim of the initiative is to strengthen teachers' skills with a view to helping more students to fulfil educational objectives. In spring 2008, 1 500 teachers participated in further education while 3 500 applied for courses offered in autumn 2008. It is still too early to give a verdict on the effect of the initiative. The Swedish Agency for Public

Management has been requested by the Government to evaluate the teacher training initiative. The result is to be present in a final report by 1 June 2010, at the latest.

In November 2008 an inquiry will propose new improved teacher training (dir. 2007:103) with the starting point of strengthening teachers' subject knowledge and ensuring the quality of the training. In addition, a government inquiry (SOU 2008:52) has proposed a certification system for teachers. Hence requirements for teacher certification will be clarified and tightened. In autumn 2008 a new state regulated job training for head teachers and other staff with a corresponding leadership function in school, preschools and after-school recreation centres was started.

There is an acute shortage of qualified teachers in vocational subjects in Swedish upper secondary schools and the situation is expected to get worse if special measures are not taken. The Government has therefore given a remit to the Inquiry of a new teachers training (Utredningen om en ny lärarutbildning, on an additional assignment concerning teachers specialised in vocational subjects (dir. 2008:43). The Government has also appointed a commission (dir. 2008:21) to prepare proposals on how a system for estimation and documentation of vocational training and working experience can be designed for candidates in post-upper secondary teacher training programme. In order to maintain the highest quality, universities and higher education institutions must attract the best teachers and researchers, both from abroad and in Sweden. An inquiry (Karriär för kvalitet, SOU 2007:98) has had the task of proposing how an effective and comprehensive qualification and career path at institutions of higher education should be designed. The inquiry's proposals were presented in December 2007 and included an initiative on younger researchers. Some of the proposals will be considered as part of a research Bill to be presented in autumn 2008.

Cooperation between education and training and working life

The Government has taken various initiatives aimed at improving cooperation between education and training and working life. In autumn 2008 the Government plans to present a strategy for entrepreneurship in schools and intends to implement a special initiative for training in entrepreneurship in higher education institutes. The strategy should have several parts, for example, making clear the importance of entrepreneurship in schools' policy document and initiatives to promote cooperation between schools and working life.

In the 2008 Spring Fiscal Policy Bill, the Government announced measures for priorities such as mathematics, science and technology. The Government has appointed a Technology Delegation with representatives from the business sector as well as government agencies and organisations. The Delegation is to survey and note the need for well educated professionals working in mathematics, science, technology, and information and communications technology (ICT) and to increase interest and participation in education and training programmes in these areas.

Since 1998, universities and colleges have had a legal obligation to work closely with society as a whole. Work by institutions of higher education in this respect has been developed and deepened considerably in recent times. Higher education institutions have largely worked on cooperation efforts as an approach based on three components: democratic development, academic development and better education. The National Agency for Higher Education notes in its report Cooperation in higher education (Högskolan samverkar, 2008:10R) that the number of activities in the knowledge and innovation system increased substantially between 2004 and 2007. Examples of activities that have increased sharply are external cooperation and training in entrepreneurship.

From 2004 to 2007 a validation delegation had the task in cooperation with the social partners of conducting and supporting development of methods and forms of organisation; strengthening and promoting regional cooperation and drawing up proposals for measures needed to secure a validation process. The Government intends to give a new government agency, the Vocational Higher Education Agency (Myndigheten för yrkeshögskolan), as part of its mandate the task of being a coordinating body on validation matters.

Measures and changes needed to meet the requirements set by the European Qualifications Framework (EQF) will be taken. Implementation will cover training programmes in the public education system and other interested parties are invited to join the system.

Employment training

The Government thinks that employment training programmes should be short and clearly focused on the demand for labour that cannot be met by the regular education system. The aim of the employment training programmes is to improve the individual's chances of getting a job and making it easier for employers to get workers with the needed skills. Employment training programmes are currently vocationally oriented training at the upper secondary and post-secondary level. Recently training programmes in manufacturing, health care and social services and transport have predominated. A person who is at least 25 and unemployed, or at risk of becoming unemployed, can be assigned to employment training by the Public Employment Service.

5 The EC Structural Funds programme in Sweden for the programme period 2007–2013

In order to strengthen the strategic focus of the EU cohesion policy, where the Structural Funds are an important instrument, Community Strategic Guidelines for Cohesion were introduced. They form the basis for national strategic frameworks in Member States. The national strategic reference framework for Sweden – Sweden's national strategy for regional competitiveness, entrepreneurship and employment 2007–2013 – establishes guidelines for the implementation of Structural Funds programmes in Sweden with respect to their contents and management.

For the programme period 2007–2013, Sweden has received funding from two EC structural funds: the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The funds are allocated to a number of programmes within the two objectives: Regional competitiveness and employment and European territorial cooperation. The Structural Funds programmes within these two objectives cover all of Sweden in a geographical sense.

Great emphasis is given to a continuously follow-up and evaluation of the Structural Funds programme, at both the programme level and the project level. One important aim of the evaluations is to create conditions for a continuous learning process by spreading good practice and knowledge to the actors participating in the programme. Under EU rules, the programme is to be evaluated in connection with the design of the programme, during the life of the programme and when the programme has been concluded. Thereby preconditions for an effective implementation of the programmes are established.

Regional Structural Funds programmes (European Regional Development Fund)

After the European Commission's decision in August 2007 to adopt Sweden's eight proposals for regional Structural Funds programmes, the implementation of the programmes could start.

The total amount of the eight regional Structural Funds programmes is SEK 22.6 billion (EU, Swedish public funds and private co-financing). The co-financing from the EU budget amounts to about SEK 8.4 billion. In addition, there are national public funds amounting to SEK 9.8 billion and business sector financing is indicatively estimated to be SEK 4.3 billion in the eight regional Structural Funds programmes. The participation of the business sector in the programmes is of great significance. An indicator of the activity level of entrepreneurs is the private funds, i.e., how much is financed by the participants themselves.

Common regional Structural Funds partnerships have been established for the eight regional Structural Funds programmes and for the corresponding regional plans for the national Structural Funds programme (the European Social Fund). The task of the Structural Funds

partnerships is to prioritise among the applications for support from the Structural Funds programmes which have been approved by the managing authority, the Swedish Business Development Agency (NUTEK) and the Swedish ESF Council.

Up to and including 2007, decisions had been taken in three out of the eight regional Structural Funds programmes; Mellersta Norrland, Småland och öarna, and Stockholm. Decisions on a total sum of SEK 442 million were taken in 2007. Decisions on ERDF funds amount to SEK 172 million and decisions on national public co-financing amount to SEK 180 million. Private co-financing amounts to SEK 90 million.

The table below shows how the funding from the Structural Funds is expected to be allocated primarily among the five main priority areas and the allocation based on decisions taken up to and including 2007.

Table 8. Indicative allocation 2007–2013 among the main priority areas of the Structural Funds programmes and decisions up to and including 2007

| Priority area. | Indicative allocation (SEK million) | Allocation of funds decided up to and incl. 2007 (SEK million) |
|--|-------------------------------------|--|
| Innovation and renewal, of which: | 6 400 | 164 |
| Research and development , innovation and entrepreneurship | 5 400 | 59 |
| Renewable energy and energy efficiency | 500 | 31 |
| Tourism, culture and metropolitan areas | 500 | 66 |
| Accessibility, of which: | 1 500 | 8 |
| Information Society | 900 | 5 |
| Transportation | 600 | |
| Total | 7 900 | 172 |

Source: the Government Offices.

The measures under the eight regional Structural Funds programmes are expected to contribute to 33 300 new jobs and 12 800 new businesses according to the programme documentation. It is expected that 28 115 companies will participate in the measures. The goal is for the new jobs and the new/participating businesses to be more or less evenly distributed between men and women when the program period is summed up.

There were no final reports on any projects up to and including 2007, but the expected outcome of the projects decided is about 350 new jobs, about 260 new businesses and about 50 participating companies.

Measures are under way within the framework for the implementation of the eight regional Structural Funds Programmes aimed at facilitating capital supply projects for financing small and medium-sized enterprises.

This is part of the ambition to provide financing in other forms than grants, such as loans, guarantees and risk capital.

The national Structural Funds programme (The European Social Fund)

The European Social Fund is the main tool of the EU for financing measures for achieving the common strategic employment objectives (see section 4.1). They aim at improving the lives of EU citizens by providing them with better skills and better job prospects, and they are to help EU Member States make Europe's labour force better equipped to meet new global challenges.

The grant from the European Social Fund amounts to a total of SEK 6 224 million for the period. In addition national co-financing will match that amount. The overall goal of the National Structural Funds programme is higher growth through a greater labour supply (about 70 per cent of the funding) and skills provision (about 30 per cent of the funding).

In order to adapt the national Structural Funds programme to regional conditions, eight regional plans have been drawn up by the Structural Funds partnerships in cooperation with the Swedish ESF Council. Projects promoting professional development and combating exclusion from the labour market may receive financial support from the national Structural Funds programme. The first announcements of project applications in the programme were made in November 2007. In spring 2008, the Swedish ESF Council took the first decisions on grants to projects based on the priorities set by the Structural Funds partnerships.

Territorial cooperation

The programmes for territorial cooperation are to both supplement and contribute to the fulfilment of national and regional strategies in the regions concerned with the overall aim of contributing to regional economic growth. The ability to develop functional working methods and cross-border structures is crucial to regional competitiveness. The programmes' focus is on measures aimed at increased business cooperation across national borders. Economic growth is the first priority of all the programmes. The measures are aimed at making it easier for inhabitants and businesses in the border regions to move across borders and to encourage cross-border cooperation on strengthening innovation and renewal. Another important area is to encourage cooperation on a sustainable and innovative use of natural resources.

Sweden participates in four programmes for border regions with the managing and certifying authority located in Sweden: the North, the Botnia-Atlantica, the Sweden-Norway and the Öresund-Kattegatt-Skagerak programmes. Co-financing from the EU budget for these programmes amounts to SEK 1.9 billion for 2007 to 2013. Sweden also participates in the South Baltic and Central Baltic programmes. Funds from the EU co-financing in these programmes amount to about SEK 1.5 billion.

Sweden also participates in the Northern Periphery, Baltic Sea and North Sea transnational programmes. In addition to programmes for border regions and transnational programmes, Sweden also participates in the inter-regional cooperation through Interreg IVC. Furthermore, exchange of experiences, dissemination of good examples and analyses of development trends in the Community are supported by the programmes Interact II, Urbact II and Espon. In the Northern Periphery programme, decisions were taken up to and including 2007 on funds from the ERDF amounting to SEK 78 million and on national public funds amounting to SEK 12 million.

Sweden also participates in the European Partnership and Neighbourhood Instrument (ENPI) Kolarctic programme for cooperation with Russia. The European Commission has not yet approved that programme.

Appendix 1 – Integrated Guidelines

These guidelines are applicable to all Member States and to the Community. They should foster coherence of reform measures included in the National Reform Programmes established by Member States and will be complemented by the Lisbon Community Programme 2005-2008 covering all action to be undertaken at Community level in the interest of growth and employment. Implementation of all relevant aspects of these guidelines should take into account gender mainstreaming.

Macroeconomic policies for growth and jobs

Guideline n°1

To secure economic stability for sustainable growth, 1. in line with the Stability and Growth Pact, Member States should respect their medium-term budgetary objectives. As long as this objective has not yet been achieved, they should take all the necessary corrective measures to achieve it. Member States should avoid pro-cyclical fiscal policies. Furthermore, it is necessary that those Member States having an excessive deficit take effective action in order to ensure a prompt correction of excessive deficits. 2. Member States posting current account deficits that risk being unsustainable should work towards correcting them by implementing structural reforms, boosting external competitiveness and, where appropriate, contributing to their correction via fiscal policies.

Guideline n°2

To safeguard economic and fiscal sustainability as a basis for increased employment, Member States should, in view of the projected costs of ageing populations, 1. undertake a satisfactory pace of government debt reduction to strengthen public finances, 2. reform and re-enforce pension, social insurance and health care systems to ensure that they are financially viable, socially adequate and accessible, and 3. take measures to increase labour market participation and labour supply especially amongst women, young and older workers, and promote a lifecycle approach to work in order to increase hours worked in the economy.

Guideline n°3

To promote a growth, employment orientated and efficient allocation of resources Member States should, without prejudice to guidelines on economic stability and sustainability, re-direct the composition of public expenditure towards growth-enhancing categories in line with the Lisbon strategy, adapt tax structures to strengthen growth potential, ensure that mechanisms are in place to assess the relationship between public

spending and the achievement of policy objectives and ensure the overall coherence of reform packages.

Guideline n°4

To ensure that wage developments contribute to macroeconomic stability and growth and to increase adaptability Member States should encourage the right framework conditions for wage-bargaining systems, while fully respecting the role of the social partners, with a view to promote nominal wage and labour cost developments consistent with price stability and the trend in productivity over the medium term, taking into account differences across skills and local labour market conditions.

Guideline n°5

To promote greater coherence between macroeconomic, structural and employment policies, Member States should pursue labour and product markets reforms that at the same time increases the growth potential and support the macroeconomic framework by increasing flexibility, factor mobility and adjustment capacity in labour and product markets in response to globalisation, technological advances, demand shift, and cyclical changes. In particular, Member States should renew impetus in tax and benefit reforms to improve incentives and to make work pay; increase adaptability of labour markets combining employment flexibility and security; and improve employability by investing in human capital.

Guideline n°6

To contribute to a dynamic and well-functioning EMU, euro area Member States need to ensure better co-ordination of their economic and budgetary policies, in particular 1. pay particular attention to fiscal sustainability of their public finances in full compliance with the Stability and Growth Pact; 2. contribute to a policy mix that supports economic recovery and is compatible with price stability, and thereby enhances confidence among business and consumers in the short run, while being compatible with long term sustainable growth; 3. press forward with structural reforms that will increase euro area long-term potential growth and will improve its productivity, competitiveness and economic adjustment to asymmetric shocks, paying particular attention to employment policies; and 4. ensure that the euro area's influence in the global economic system is commensurate with its economic weight.

Microeconomic reforms to raise Europe's growth potential

Guideline n°7

To increase and improve investment in R&D, in particular by private business, the overall objective for 2010 of 3% of GDP is confirmed with an adequate split between private and public investment, Member States will define specific intermediate levels. Member States should further develop a mix of measures appropriate to foster R&D, in particular business R&D, through: 1. improved framework conditions and ensuring that companies operate in a sufficiently competitive and attractive environment; 2. more effective and efficient public expenditure on R&D and developing PPPs; 3. developing and strengthening centres of excellence of educational and research institutions in Member States, as well as creating new ones where appropriate, and improving the cooperation and transfer of technologies between public research institute and private enterprises; 4. developing and making better use of incentives to leverage private R&D; 5. modernising the management of research institutions and universities; 6. ensuring a sufficient supply of qualified researchers by attracting more students into scientific, technical and engineering disciplines and enhancing the career development and the European, international as well as inter-sectoral mobility of researchers and development personnel.

Guideline n°8

To facilitate all forms of innovation, Member States should focus on: 1. improvements in innovation support services, in particular for dissemination and technology transfer; 2. the creation and development of innovation poles, networks and incubators bringing together universities, research institution and enterprises, including at regional and local level, helping to bridge the technology gap between regions; 3. the encouragement of cross-border knowledge transfer, including from foreign direct investment; 4. encouraging public procurement of innovative products and services; 5. better access to domestic and international finance, and 6. efficient and affordable means to enforce intellectual property rights.

Guideline n°9

To facilitate the spread and effective use of ICT and build a fully inclusive information society, Member States should: 1. encourage the widespread use of ICT in public services, SMEs and households; 2. fix the necessary framework for the related changes in the organisation of work in the economy; 3. promote a strong European industrial presence in the key segments of ICT; 4. encourage the development of strong ICT and content industries, and well functioning markets; 5. ensure the security of networks and information, as well as convergence and

interoperability in order to establish an information area without frontiers; 6. encourage the deployment of broad band networks, including for the poorly served regions, in order to develop the knowledge economy.

Guideline n°10

To strengthen the competitive advantages of its industrial base, Europe needs a solid industrial fabric throughout its territory. The necessary pursuit of a modern and active industrial policy means strengthening the competitive advantages of the industrial base, including by contributing to attractive framework conditions for both manufacturing and services, while ensuring the complementarity of the action at national, transnational and European level. Member States should: 1. start by identifying the added value and competitiveness factors in key industrial sectors, and addressing the challenges of globalisation. 2. also focus on the development of new technologies and markets. a) This implies in particular commitment to promote new technological initiatives based on public-private partnerships and cooperation between Member States, that help tackle genuine market failures. b) This also implies the creation and development of networks of regional or local clusters across the EU with greater involvement of SMEs.

Guideline n°11

To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth, Member States should: 1. give priority to energy efficiency and co-generation, the development of sustainable, including renewable, energies and the rapid spread of environmentally friendly and eco-efficient technologies a) inside the internal market on the one hand particularly in transport and energy, inter alia in order to reduce the vulnerability of the European economy to oil price variations, b) towards the rest of the world on the other hand as a sector with a considerable export potential; 2. promote the development of means of internalisation of external environmental costs and decoupling of economic growth from environmental degradations. The implementation of these priorities should be in line with existing Community legislation and with the actions and instruments proposed in the Environmental Technologies Action Plan (ETAP), *inter alia*, through a) the use of market-based instruments, b) risk funds and R&D funding, c) the promotion of sustainable production and consumption patterns including the greening of public procurement, d) paying a particular attention to SMEs and e) a reform of subsidies that have considerable negative effects on the environment and are incompatible with sustainable development, with a view to eliminating them gradually. 3. pursue the objective of halting the loss of biological diversity between now and 2010, in particular by incorporating this requirement into other policies, given the importance of biodiversity for certain economic sectors. 4. continue to fight against climate change,

while implementing the Kyoto targets in a cost-effective way, particularly in regard to SMEs.

Guideline n°12

To extend and deepen the Internal Market, Member States should: 1. speed up the transposition of Internal Market directives; 2. give priority to stricter and better enforcement of Internal Market legislation; 3. eliminate remaining obstacles to cross-border activity; 4. apply EU public procurement rules effectively; 5. promote a fully operational internal market of services, while preserving the European social model; 6. accelerate financial market integration by a consistent and coherent implementation and enforcement of the Financial Services Action Plan.

Guideline n°13

To ensure open and competitive markets inside and outside Europe, reap the benefits of globalisation, Member States should give priority to: 1. the removal of regulatory, trade and other barriers that unduly hinder competition; 2. a more effective enforcement of competition policy; 3. selective screening of markets and regulations by competition and regulatory authorities in order to identify and remove obstacles to competition and market entry; 4. a reduction in State aid that distorts competition; 5. in line with the upcoming Community Framework, a redeployment of aid in favour of support for certain horizontal objectives such as research, innovation and the optimisation of human capital and for well-identified market failures; 6. the promotion of external openness, also in a multilateral context; 7. full implementation of the agreed measures to open up the network industries to competition in order to ensure effective competition in European wide integrated markets. At the same time, the delivery, at affordable prices, of effective services of general economic interest has an important role to play in a competitive and dynamic economy.

Guideline n°14

To create a more competitive business environment and encourage private initiative through better regulation, Member States should: 1. reduce the administrative burden that bears upon enterprises, particularly on SMEs and start-ups; 2. improve the quality of existing and new regulations, while preserving their objectives, through a systematic and rigorous assessment of their economic, social (including health) and environmental impacts, while considering and making progress in measurement of the administrative burden associated with regulation, as well as the impact on competitiveness, including in relation to enforcement; 3. encourage enterprises in developing their corporate social responsibility.

Guideline n°15

To promote a more entrepreneurial culture and create a supportive environment for SMEs, Member States should: 1. improve access to finance, in order to favour their creation and growth, in particular micro-loans and other forms of risk capital; 2. strengthen economic incentives, including by simplifying tax systems and reducing non-wage labour costs; 3. strengthen the innovative potential of SMEs, and 4. provide relevant support services, like the creation of one-stop contact points and the stimulation of national support networks for enterprises, in order to favour their creation and growth in line with Small firms' Charter. In addition, Member States should reinforce entrepreneurship education and training for SMEs. They should also facilitate the transfer of ownership, modernise where necessary their bankruptcy laws, and improve their rescue and restructuring proceedings.

Guideline n°16

To expand, improve and link up European infrastructure and complete priority cross-border projects with the particular aim of achieving a greater integration of national markets within the enlarged EU. Member States should: 1. develop adequate conditions for resource-efficient transport, energy and ICT infrastructures – in priority, those included in the TEN networks – by complementing Community mechanisms, notably including in cross-border sections and peripheral regions, as an essential condition to achieve a successful opening up of the network industries to competition; 2. consider the development of public-private partnerships; 3. consider the case for appropriate infrastructure pricing systems to ensure the efficient use of infrastructures and the development of a sustainable modal balance, emphasizing technology shift and innovation and taking due account of environmental costs and the impact on growth.

Employment Policy

Guideline n°17

Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion. Policies should contribute to achieving an average employment rate for the European Union (EU) of 70% overall, of at least 60% for women and of 50% for older workers (55 to 64) by 2010, and to reduce unemployment and inactivity. Member States should consider setting national employment rate targets.

Guideline n°18

Promote a lifecycle approach to work through: a renewed endeavour to build employment pathways for young people and reduce youth unemployment as called for in the Youth Pact; resolute action to increase female participation and reduce gender gaps in employment, unemployment and pay; better reconciliation of work and private life and the provision of accessible and affordable childcare facilities and care for other dependants; support to active ageing, including appropriate working conditions, improved (occupational) health status and adequate incentives to work and discourage early retirement; modern social protection systems, including pensions and healthcare, ensuring their social adequacy, financial sustainability and responsiveness to changing needs, so as to support participation and better retention in employment and longer working lives.

Guideline n°19

Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people, and the inactive through: active and preventive labour market measures including early identification of needs, job search assistance, guidance and training as part of personalised action plans, provision of necessary social services to support the inclusion of those furthest away from the labour market and contribute to the eradication of poverty; continual review of the incentives and disincentives resulting from the tax and benefit systems, including the management and conditionality of benefits and a significant reduction of high marginal effective tax rates, notably those with low incomes, whilst ensuring adequate levels of social protection; development of new sources of jobs in services to individuals and businesses, notably at local level.

Guideline No.20

Improve matching of labour market needs through: the modernisation and strengthening of labour market institutions, notably employment services, also with a view to ensuring greater transparency of employment and training opportunities at national and European level; removing obstacles to mobility across Europe within the framework of the EU Treaties; better anticipation of skill needs, labour market shortages and bottlenecks; appropriate management of economic migration.

Guideline n°21

Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners, through: the adaptation of employment legislation, reviewing where necessary the different contractual and working time

arrangements; addressing the issue of undeclared work; better anticipation and positive management of change, including economic restructuring, notably changes linked to trade opening, so as to minimise their social costs and facilitate adaptation; the promotion and dissemination of innovative and adaptable forms of work organisation, with a view to improving quality and productivity at work, including health and safety; support for transitions in occupational status, including training, self-employment, business creation and geographic mobility;

Guideline n°22

Ensure employment-friendly labour cost developments and wage-setting mechanisms by: encouraging social partners within their own responsibilities to set the right framework for wage bargaining in order to reflect productivity and labour market challenges at all relevant levels and to avoid gender pay gaps; reviewing the impact on employment of non-wage labour costs and where appropriate adjust their structure and level, especially to reduce the tax burden on the low-paid

Guideline n°23

Expand and improve investment in human capital through: inclusive education and training policies and action to facilitate significantly access to initial vocational, secondary and higher education, including apprenticeships and entrepreneurship training; reducing significantly the number of early school leavers; efficient lifelong learning strategies open to all in schools, businesses, public authorities and households according to European agreements, including appropriate incentives and cost-sharing mechanisms, with a view to enhancing participation in continuous and workplace training throughout the life-cycle, especially for the low-skilled and older workers.

Guideline n°24

Adapt education and training systems in response to new competence requirements through: raising and ensuring the attractiveness, openness and quality standards of education and training, broadening the supply of education and training opportunities and ensuring flexible learning pathways and enlarging possibilities for mobility for students and trainees; easing and diversifying access for all to education and training and to knowledge by means of working time organisation, family support services, vocational guidance and, if appropriate, new forms of cost-sharing; responding to new occupational needs, key competences and future skill requirements by improving the definition and transparency of qualifications, their effective recognition and the validation of non-formal and informal learning.

Appendix 2 – Structural indicators; Sweden and EU. 2007

| Indicator | SE | EU15 | EU25 | Among 3 best | Among 3 worst |
|---|-------------|--------------|--------------|--------------|---------------|
| GBP per capita ¹ | 126,1 | 111,6 | 100 | | |
| Labour productivity ² | 115,3 | 110,2 | 100 | | |
| Employment rate ³ | 74,2 | 66,9 | 65,4 | x | |
| males | 76,5 | 74,2 | 72,5 | | |
| females | 71,8 | 59,7 | 58,3 | x | |
| older workers ⁴ | 70,0 | 46,6 | 44,7 | x | |
| older males | 72,9 | 55,3 | 53,9 | x | |
| older females | 67,0 | 38,1 | 36,0 | x | |
| Long-term unemployed ⁵ | 0,8 | 2,8 | 3,1 | x | |
| Dispersion of regional employment rates ⁶ | 2,9 | - | 11,4 | x | |
| males | 2,4 | - | 9,3 | x | |
| females | 3,7 | - | 16,2 | x | |
| At-risk-of-poverty rate after social transfers ⁷ | 12 | 16 | 16 | x | |
| males | 12 | 15 | 15 | x | |
| females | 12 | 17 | 17 | | |
| Comparative price levels | 116,4 | 104,7 | 100 | | x |
| Youth education attainment level ⁸ | 87,2 | 75,2 | 78,1 | | |
| males | 85,4 | 72,2 | 75,4 | | |
| females | 89,0 | 78,3 | 80,8 | | |
| Business investment | 15,8 | 18,7 | 18,8 | | x |
| R&D expenditure ⁹ | 3,73 | 1,86 | 1,84 | x | |
| Total greenhouse gas emissions ¹⁰ | 91,1 | 97,3 | 92,3 | | |
| Energy intensity of the economy ¹¹ | 188,34 | 179,54 | 202,45 | | |
| Freight transport¹² | 94,5 | 103,0 | 107,5 | | |

Source: Eurostat webb site, Structural Indicators, 2008-10-07

1. GDP per capita in purchasing power standards (PPS). Index EU27=100

2. GDP in PPS per person employed. Index EU27=100

3. Aged 15 to 64 percentage of the labour force.

4. Aged 55 to 64 percentage of the labour force.

5. Unemployed 12 months or more as a percentage of the labour force.

6. Coefficient of variation of employment rates (aged 15 – 64) across regions (NUTS 2 level) within countries. Year 2006.

7. The share of persons with an equivalised disposable income below the risk-of-poverty threshold (set at 60 percent of national median equivalised disposable income).

8. % of the population aged 20-24 having completed at least upper secondary school.

9. Percentage of GDP. For EU Eurostat estimate. 2006.

10. Indexed on actual base year (1990) = 100 (in CO2-equivalents), 2006.

11. Gross inland consumption of energy divided by GDP. 2006

12. Inland freight transport volume relative to GDP, measures in tonne-km /GDP. 2006

Appendix 3 - Indicators to monitor the employment policy

List of indicators for monitoring³

17.M1 Employment rate, Structural indicator

Persons in employment as a proportion of total population in the same age group, per cent.

| Employment rate by age group | Total | Women | Men |
|-------------------------------------|-------|-------|------|
| <i>15-64</i> | 74.2 | 71.8 | 76.5 |
| <i>15-24</i> | 42.2 | 42.3 | 42.0 |
| <i>25-54</i> | 86.1 | 83.0 | 89.1 |
| <i>55-59</i> | 79.7 | 77.5 | 81.9 |
| <i>60-64</i> | 60.4 | 56.7 | 64.1 |
| <i>65-69</i> | 14.6 | 10.4 | 18.9 |
| <i>20-64</i> | 80.1 | 77.1 | 83.1 |
| <i>55-64</i> | 70.0 | 67.0 | 72.9 |

Source: Labour Force Survey, Eurostat.

17.M2 Employment growth, Structural indicator

Annual percentage change in employed population, overall and by main sector.

| Employment growth | Total | Women | Men |
|--------------------------|-------|-------|-----|
| <i>Total</i> | 2.3 | 2.2 | 2.3 |
| <i>Agriculture</i> | 3.1 | | |
| <i>Industry</i> | 1.9 | | |
| <i>Services</i> | 2.3 | | |

Source: Labour Force Survey and National Accounts, Eurostat.

³ If nothing else is stated all figures are yearly averages for 2007. The indicator 21.M1 is not included due to non-applicable data.

17.M3 Unemployment rate, Structural indicator

Unemployed persons as a share of the active population in the same age group, per cent.

| Unemployment rate by age group | Total | Women | Men |
|---------------------------------------|-------|-------|------|
| <i>15-74</i> | 6.2 | 6.5 | 5.9 |
| <i>15-24</i> | 19.3 | 19.8 | 18.8 |
| <i>25-54</i> | 4.4 | 4.7 | 4.1 |
| <i>55-59</i> | 3.5 | 3.2 | 3.8 |
| <i>60-64</i> | 4.5 | 4.0 | 5.0 |
| <i>20-64</i> | 5.1 | 5.3 | 5.0 |
| <i>55-64</i> | 4.0 | 3.5 | 4.4 |

Note: Harmonized unemployment series.

Source: Labour Force Survey, Eurostat.

17.M4 Activity rate

Share of employed and unemployed as a proportion of total population in the same age group, per cent.

| Activity rate by age group | Total | Women | Men |
|-----------------------------------|-------|-------|------|
| <i>15-64</i> | 79.1 | 76.8 | 81.4 |
| <i>15-24</i> | 52.2 | 52.7 | 51.8 |
| <i>25-54</i> | 90.0 | 87.1 | 92.9 |
| <i>55-59</i> | 82.6 | 80.0 | 85.1 |
| <i>60-64</i> | 63.3 | 59.0 | 67.5 |
| <i>65-69</i> | 14.8 | 10.7 | 19.1 |
| <i>20-64</i> | 84.4 | 81.4 | 87.4 |
| <i>55-64</i> | 72.8 | 69.4 | 76.2 |

Source: Labour Force Survey, Eurostat.

17.M5 Growth in labour productivity

Growth in GDP per person employed and per hour worked, per cent.

| Labour productivity (2006) | Total |
|-----------------------------------|-------|
| <i>Per person employed</i> | 2.4 |
| <i>Per hour worked</i> | 2.7 |

Source: ESA 95, DG ECFIN.

17.M6 Regional disparities – underperforming regions

1. Share of underperforming regions in terms of employment and unemployment (in relation to all regions and to the working age population/labour force, NUTS II).

2. Differential between average employment/unemployment of the underperforming regions and the national average in relation to the national average of employment/unemployment, NUTS II.

Thresholds to be applied: 90 per cent and 150 per cent of the national average rate for employment and unemployment, respectively.

| Regional disparities – underperforming regions (2006) | Total |
|---|--------------|
| <i><u>Underperforming regions</u></i> | |
| - <i>Employment</i> | 0/8 |
| - <i>Unemployment</i> | 0/8 |
| <i><u>Share of workforce living in underperforming regions, %</u></i> | |
| - <i>Employment</i> | 0.0 |
| - <i>Unemployment</i> | 0.0 |

Source: Labour Force Survey, Eurostat.

18.M1 Youth unemployment ratio

Total unemployed young people (15-24 years) as a share of total population in the same age group, per cent.

| | Total | Women | Men |
|---------------------------------|--------------|--------------|------------|
| <i>Youth unemployment ratio</i> | 10.1 | 10.4 | 9.7 |

Source: Labour Force Survey, Eurostat.

18.M2 Gender pay gap, Structural indicator

Women's salary as a percentage of men's salary.

| Gender pay gap | Total |
|------------------------------------|--------------|
| <i><u>Unadjusted</u></i> | |
| - <i>Total</i> | 84.0 |
| - <i>Private sector</i> | 86.0 |
| - <i>Public sector</i> | 83.0 |
| <i><u>Adjusted</u>⁴</i> | |
| - <i>Total</i> | 93.0 |
| - <i>Private sector</i> | 91.0 |
| - <i>Public sector</i> | 96.0 |

Source: The National Mediation Office and Statistics Sweden.

⁴ Differences between men and women in age, education, working hours, sector and occupational group are taken into consideration.

18.M2 Gender pay gap

Gender pay gap by age group and educational attainment (difference between men's and women's average gross hourly earnings as percentage of men's average gross hourly earnings for paid employees at work 15+ hours), per cent.

| Gender pay gap (2001) | Total |
|---|--------------|
| <i>Age group</i> | |
| - 16-24 | 7.0 |
| - 25-54 | 18.0 |
| - 55-64 | 21.0 |
| <i>Educational attainment⁵</i> | |
| - Low | 14.0 |
| - Medium | 16.0 |
| - High | 24.0 |

Source: European Community Household Panel, Eurostat.

18.M3 Childcare

Children cared for (by formal arrangements⁶ other than by the family) less than 30 hours a usual week/30 hours or more a usual week as a proportion of all children of same age group. Breakdown by children aged under 3 (0-2 years), children aged between 3 years and admission age for compulsory school and age for compulsory school and 12 years, per cent.

| Childcare (2006) | 1-29 h | 30- h |
|---|---------------|--------------|
| <i>0-2 years</i> | 17.0 | 27.0 |
| <i>3 years to compulsory school age</i> | 34.0 | 58.0 |
| <i>Compulsory school age-12 years</i> | 0.0 | 100.0 |

Source: Statistics on Income and Living Conditions, Eurostat.

| Childcare (2005) | |
|--|----|
| <i>Number of months of maternity/paternity/parental leave with benefits replacing at least 2/3 of salary</i> | 16 |
| <i>Admission age for compulsory education</i> | 7 |

Source: Statistics on Income and Living Conditions, Eurostat.

⁵ Low=less than upper secondary education; Medium= upper secondary education completed; High=upper tertiary education completed.

⁶ Formal arrangements refer to the EU-SILC survey reply categories 1-4 (pre-school or equivalent, compulsory education, centre-based services outside school hours, a collective crèche or another day-care centre, including family day-care organised/controlled by a public or private structure).

18.M4 Average exit age from the labour force, Structural indicator

The average age of withdrawal from the labour market, based on a probability model considering the relative changes of activity rates from one year to another at a specific age.

| | Total | Women | Men |
|--|-------|-------|------|
| <i>Average exit age from the labour force (2006)</i> | 63.9 | 63.7 | 64.2 |

Source: Labour Force Survey, Eurostat.

19.M1 Long-term unemployment rate, Structural indicator

Total long-term unemployed population (12 months or more) as a proportion of total active population, per cent.

| | Total | Women | Men |
|------------------------------------|-------|-------|-----|
| <i>Long-term unemployment rate</i> | 0.8 | 0.8 | 0.9 |

Source: Labour Force Survey, Eurostat.

19.M2 Activation/support

Number of participants in regular activation measures (LMP categories 2-7)⁷/in assisted activation programmes (LMP sub-category 1.1.2)⁵ / number of recipients of supports (LMP categories 8-9)⁵ divided by the number of persons wanting to work (ILO unemployed plus labour reserve)

| Activation/support per 100 persons wanting to work (2006) | Total |
|--|-------|
| <i>Regular activation</i> | 32.0 |
| <i>Assisted activation</i> | 67.4 |
| <i>Support</i> | 46.7 |

Source: LMP, Eurostat.

⁷ Regular activation measures are LMP categories Training(2), Job rotation and job sharing(3), Employment incentives(4), Supported employment and rehabilitation(5), Direct job creation(6), Start-up incentives(7). Assisted activation programmes are LMP sub-category Individualised case-management(1.1.2). Supports are LMP categories Out-of-work income maintenance and support(8) and early retirement(9).

19.M3 New start/ Prevention

Share of young people/adult becoming unemployed in month X, still unemployed in month X+4/12, and not having started a job or participated in a regular activation measure (LMP categories 2-7)/not having participated in an assisted activation programme (LMP sub-category 1.1.2)⁸, per cent.⁹

| New start/Prevention¹⁰ | Total | Women | Men |
|--|-------|-------|-----|
| <i>Young people</i> | 4.1 | 3.6 | 4.7 |
| <i>Adults</i> | 1.2 | 1.0 | 1.3 |

Source: The Swedish Public Employment Service.

19.M4 Activation of long-term unemployed

Number of long-term registered unemployed participants in an active measure (LMP categories 2-7) in relation to the sum of the long-term unemployed participants plus registered long-term unemployed (yearly averages). Per cent.

| Activation of long-term unemployed¹¹ | Total | Women | Men |
|--|-------|-------|------|
| <i>All</i> | 71.5 | 70.2 | 72.5 |
| <i>Broken down by type of measure</i> | | | |
| - <i>Training</i> | 18.0 | 19.4 | 16.9 |
| - <i>Employment incentives</i> | 47.3 | 45.2 | 48.9 |
| - <i>Supported employment and rehabilitation</i> | 5.7 | 5.1 | 6.2 |
| - <i>Start-up incentives</i> | 0.5 | 0.5 | 0.4 |

Source: The Swedish Public Employment Service.

⁸ Regular activation measures are LMP categories Training(2), Job rotation and job sharing(3), Employment incentives(4), Supported employment and rehabilitation(5), Direct job creation(6), Start-up incentives(7). Assisted activation programmes are LMP sub-category Individualised case-management(1.1.2).

⁹ Method: B/A. A=persons becoming unemployed in month X. B=Persons still unemployed in month X+4/12 and not having started a job or benefited from a regular activation measure/assisted activation programme.

¹⁰ Young people refer to men and women until the age of 24 and adults refer to men and women in the age 25 and older.

¹¹ Long-term registered unemployed refers to persons that have been unemployed for more than 12 months for adults (25+) and more than 6 months for youth (<25).

19.M5 Labour market gaps for disadvantaged groups

Gaps on the labour market for disadvantaged groups¹² according to national definitions.

| Size of group in relation to the population, % | Total | | |
|--|-------|------|------|
| | Women | Men | |
| <i>Persons born outside Sweden</i> | | | |
| - Total | 15.7 | 16.7 | 14.7 |
| - Within EU27/EEA | 5.5 | 6.1 | 4.9 |
| - Outside EU27/EEA | 10.2 | 10.6 | 9.8 |
| <i>Disabled persons (2006)</i> | | | |
| - Total | 15.7 | 16.8 | 14.7 |
| - With reduced ability to work | 9.5 | 10.9 | 8.2 |

Source: Labour Force Survey, Statistics Sweden.

The difference in labour force participation rate compared with the overall rate for disadvantage groups, in percentage points.

| Difference in labour force participation rate | Total | | |
|---|-------|-------|-------|
| | Women | Men | |
| <i>Persons born outside Sweden</i> | | | |
| - Total | -8.6 | -10.8 | -5.8 |
| - Within EU27/EEA | -2.4 | -2.7 | -1.4 |
| - Outside EU27/EEA | -11.9 | -15.4 | -7.9 |
| <i>Disabled persons (2006)</i> | | | |
| - Total | -11.1 | -11.3 | -10.4 |
| - With reduced ability to work | -21.6 | -20.8 | -21.8 |

Source: Labour Force Survey, Statistics Sweden.

¹² Disadvantaged groups are defined as persons born abroad and people with disabilities. The estimates on the differences between persons born abroad and the whole population are weighted in a different way than the estimates of the levels. This implies that the differences presented here differ somewhat from the difference received when subtracting the level for person born abroad from the level of the whole population.

The difference in employment rate compared with the overall rate for disadvantage groups, in percentage points.

| Difference in employment rate | Total | Women | Men |
|--------------------------------------|-------|-------|-------|
| <u>Persons born outside Sweden</u> | | | |
| - Total | -11.7 | -13.6 | -9.2 |
| - Within EU27/EEA | -2.5 | -2.8 | -1.6 |
| - Outside EU27/EEA | -16.6 | -19.8 | -13.0 |
| <u>Disabled persons(2006)</u> | | | |
| - Total | -11.8 | -11.9 | -11.2 |
| - With reduced ability to work | -23.0 | -22.3 | -23.0 |

Source: Labour Force Survey, Statistics Sweden.

Difference in unemployment rates for disadvantaged groups and the overall unemployment rate, in percentage points.

| Difference in unemployment rate | Total | Women | Men |
|--|-------|-------|-----|
| <u>Persons born outside Sweden</u> | | | |
| - Total | 5.0 | 5.1 | 4.8 |
| - Within EU27/EEA | 0.4 | 0.4 | 0.3 |
| - Outside EU27/EEA | 7.8 | 8.4 | 7.3 |
| <u>Disabled persons (2006)</u> | | | |
| - Total | 1.7 | 1.6 | 1.8 |
| - With reduced ability to work | 4.2 | 4.5 | 3.9 |

Source: Labour Force Survey, Statistics Sweden.

19.M5 Unemployment rate gap between EU27 and non-EU27 nationals

Unemployment rate gap between EU27 and non-EU27 nationals, in percentage points.

| | Total | Women | Men |
|------------------------------|-------|-------|-------|
| <u>Unemployment rate gap</u> | -10.2 | -9.8 | -10.5 |

Source: Labour Force Survey, Statistics Sweden.

19.M6 Tax rate on low wage earners: Low-wage trap, Structural indicator

The marginal effective tax rate on labour income taking account the combined effect of increased taxes on labour and in-work benefits withdrawal as one increases the work effort (increased working hours or moving to a better job). Calculated as the ratio of change in personal income tax and employee contributions plus change (reductions) in benefits, divided by increases in gross earnings, using the “discrete” income changes from 34-66 per cent of APW.

| Low wage trap (2006) | Total |
|--|-------|
| <i>One earner couple with two children</i> | 89.0 |
| <i>Single person with no children</i> | 55.0 |

Source: Eurostat/OECD.

19.M7 Tax rate on low wage earners: Unemployment trap, Structural indicator

The marginal effective tax rate on labour income taking account the combined effect of increased taxes and benefits withdrawal as one takes up a job. Calculated as one minus the ratio of change in net income (net in work income minus net out of work income) and change in gross income for a single person moving from unemployment to a job with a wage level of 67 per cent of the APW.

| | Total |
|---------------------------------|-------|
| <i>Unemployment trap (2006)</i> | 87.0 |

Source: Eurostat.

21.M2 Diversity and reasons for contractual and working arrangements

Employees in non-standard employment (part-time and/or fixed-term) as per cent of total employees. Total employees in part-time and/or fixed-term contracts as a percentage of all employees in the same group, respectively; and total self-employed as per cent of person in employment.

| Contractual and working arrangements | Total | Women | Men |
|--|-------|-------|------|
| <i>Non-standard employment</i> | 36.0 | 50.2 | 21.9 |
| <i>Part-time</i> | 24.5 | 38.6 | 10.5 |
| - <i>Involuntary part-time</i> | 4.6 | 7.7 | 1.6 |
| <i>Fixed-term employment</i> | 14.3 | 15.9 | 12.6 |
| - <i>Involuntary fixed-term employment</i> | 4.6 | 4.6 | 4.5 |
| <i>Self-employed</i> | 10.3 | 5.5 | 14.6 |

Source: Labour Force Survey, Eurostat.

21.M3 Accidents at work, Structural indicator

The evolution of the incidence rate, defined as the number of accidents at work per 1 000 person in employment.

| Trends in accidents at work | Women | Men |
|-----------------------------|-------|-----|
| 2004 | 6.5 | 8.9 |
| 2005 | 6.3 | 8.5 |
| 2006 | 6.4 | 8.3 |
| 2007 | 5.4 | 7.5 |

Source: The Work Environment Authority and Statistics Sweden.

22.M1 Unit labour cost growth, Structural indicator

Growth rate of the ratio: compensation per employee in current prices divided by GDP (in current prices) per total employment.

| | Total |
|-------------------------------|-------|
| <i>Real unit labour costs</i> | 1.2 |

Source: Structural indicators, Eurostat.

22.M2 Tax rate on low-wage earners, Structural indicator

Tax wedge on labour cost: ratio of income tax plus employee and employer social contributions including payroll taxes less cash benefits divided by the labour costs for a single earner earning 67 per cent of the APW.

| | Total |
|--|-------|
| <i>Taxation on low-wage earners (2006)</i> | 46.0 |

Source: Structural indicators, Eurostat.

23.M1 Spending on human resources, Structural indicator

Total public expenditure on education as a percentage of GDP.

| | Total |
|---|-------|
| <i>Investment in human resources (2005)</i> | 6.97 |

Source: Joint UNESCO/OECD/Eurostat questionnaire.

23.M2 Youth educational attainment level

Percentage of the population aged 20-24 having completed at least upper secondary education (ISCED level 3 long).

| | Total | Women | Men |
|---|-------|-------|------|
| <i>Youth educational attainment level</i> | 87.2 | 89.0 | 85.4 |

Source: Labour Force Survey, Eurostat.

23.M3 Early school leavers, Structural indicator

Percentage of the population aged 18-24 with at most lower secondary education (ISCED level 2) and not in further education or training, per cent.

| | Total | Women | Men |
|--|-------|-------|------|
| <i>Rate of early-school-leaving (2006)</i> | 12.0 | 10.7 | 13.3 |

Source: Labour Force Survey, Eurostat.

23.M4 Life-long learning, Structural indicator

Participation of the adult population aged 25-64 participating in education and training (over the four weeks prior to the survey), total, by age group, working status and educational attainment, per cent.

| Participation in education and training | Total | Women | Men |
|---|-------|-------|------|
| <i>Age group</i> | | | |
| - 25-64 | 32.4 | 39.3 | 25.8 |
| - 25-34 | 37.0 | 42.0 | 32.0 |
| - 35-44 | 33.2 | 40.5 | 26.1 |
| - 45-54 | 31.6 | 39.6 | 23.8 |
| - 55-64 | 27.0 | 34.0 | 20.5 |
| <i>Working status (25-64)</i> | | | |
| - Employed | 31.6 | 38.7 | 25.0 |
| - Unemployed | 28.4 | 34.8 | 23.3 |
| - Inactive | 43.6 | 46.0 | 39.7 |
| <i>Educational attainment</i> ¹³ (25-64) | | | |
| - Low | 18.3 | 23.8 | 14.6 |
| - Medium | 28.6 | 34.6 | 23.5 |
| - High | 46.4 | 51.6 | 39.2 |

Source: Labour Force Survey, Eurostat.

¹³ Low=less than upper secondary education; Medium=upper secondary education completed; High=upper tertiary education completed.

List of indicators for analysis¹⁴

17.A1 Employment rate in full time equivalents

Total hours worked divided by the average annual number of hours worked in full-time jobs, calculated as a proportion of total population in the 15-64 age group, per cent.

| Employment rate in full-time equivalents | Total | Women | Men |
|---|-------|-------|------|
| <i>15-64</i> | 67.7 | 61.9 | 73.6 |

Source: Labour Force Survey, Spring data, Eurostat.

17.A2 Real GDP growth rate, Structural indicator

Growth rate of GDP volume - percentage change on previous year.

| | Total |
|--|-------|
| <i>Annual average of GDP growth, %</i> | 2.6 |

Source: Structural indicators, Eurostat.

17.A3 Labour supply growth

Annual change in labour supply (including employed and unemployed in working age 15-64), in percentage points.

| | Total | Women | Men |
|-----------------------------|-------|-------|-----|
| <i>Labour supply growth</i> | 1.3 | 1.5 | 1.2 |

Source: Labour Force Survey, Eurostat.

¹⁴ If nothing else is stated all figures are yearly averages for 2007. The indicators 18.A6, 19.A2 and 19.A3 are not included due to non-applicable data.

17.A4 Transitions by employment status

Average transition between employment, unemployment and inactive from quarter 4 year 2006, quarter 1, 2 and 3 year 2007 to the next quarter, i.e. quarter 1, 2, 3 and 4 year 2007, per cent.

| Total | Status at 2007 | | | |
|-------------------|----------------|------------|----------|-------|
| | Employed | Unemployed | Inactive | Total |
| Status at 2006 | | | | |
| <i>Employed</i> | 96.3 | 1.1 | 2.5 | 100.0 |
| <i>Unemployed</i> | 33.4 | 47.7 | 18.8 | 100.0 |
| <i>Inactive</i> | 10.3 | 4.8 | 84.9 | 100.0 |

| Women | Status at 2007 | | | |
|-------------------|----------------|------------|----------|-------|
| | Employed | Unemployed | Inactive | Total |
| Status at 2006 | | | | |
| <i>Employed</i> | 95.9 | 1.1 | 3.0 | 100.0 |
| <i>Unemployed</i> | 34.4 | 44.4 | 21.2 | 100.0 |
| <i>Inactive</i> | 10.2 | 4.8 | 85.0 | 100.0 |

| Men | Status at 2007 | | | |
|-------------------|----------------|------------|----------|-------|
| | Employed | Unemployed | Inactive | Total |
| Status at 2006 | | | | |
| <i>Employed</i> | 96.8 | 1.2 | 2.1 | 100.0 |
| <i>Unemployed</i> | 32.5 | 50.8 | 16.6 | 100.0 |
| <i>Inactive</i> | 10.5 | 4.7 | 84.8 | 100.0 |

Source: Labour Force Survey, Statistics Sweden.

17.A5 Dispersion of regional employment and unemployment rates, Structural indicator

Standard deviation of employment (unemployment) rates divided by the national average (age group 15-64 years), NUTS II and NUTS III.

| Regional disparities (2006) | Total | Women | Men |
|------------------------------------|-------|-------|-----|
| <u><i>Employment</i></u> | | | |
| - Nuts II | 2.9 | 3.7 | 2.4 |
| - Nuts III (15+ years) | 3.3 | 4.4 | 2.6 |
| <u><i>Unemployment</i></u> | | | |
| - Nuts II | 11.9 | | |
| - Nuts III | 14.2 | | |

Source: Labour Force Survey, Eurostat.

18.A1 Employment gender gap

1. The difference in employment rates between men and women in percentage points.

| | Total |
|------------------------------|-------|
| <i>Employment gender gap</i> | 4.7 |

Source: Labour Force Survey, Eurostat.

2. The difference in employment rates between men and women in percentage points, by age group and by educational level.

| Employment gender gap | Total |
|---|-------|
| <i>Age group</i> | |
| - 15-24 | -0.3 |
| - 25-54 | 6.1 |
| - 55-64 | 5.9 |
| <i>Educational attainment</i> ¹⁵ | |
| - Low | 11.0 |
| - Medium | 7.6 |
| - High | 1.4 |

Source: Labour Force Survey, Eurostat.

18.A2 Employment gender gap in full time equivalents

The difference in employment rates measured in full-time equivalent between men and women in percentage points.

| | Total |
|--|-------|
| <i>Employment gender gap in full-time equivalent</i> | 11.7 |

Source: Labour Force Survey, Spring data, Eurostat.

18.A3 Unemployment gender gap

The difference in unemployment rates between women and men in percentage points.

| | Total |
|--------------------------------|-------|
| <i>Unemployment gender gap</i> | 0.6 |

Source: Harmonized unemployment series, Eurostat.

¹⁵ Low=less than upper secondary education; Medium=upper secondary education completed; High=upper tertiary education completed.

18.A4 Gender segregation

Gender segregation in occupations/sectors, calculated as the average national share of employment for women and men applied to each occupation/sectors; differences are added up to produce a total amount of gender imbalance presented as a proportion of total employment (ISCO classification/ NACE classification).

| Gender segregation | Total |
|---------------------------|--------------|
| <i>In occupations</i> | 26.9 |
| <i>In sectors</i> | 21.3 |

Source: Labour Force Survey, Spring data, Eurostat.

18.A5 Employment impact of parenthood

Employment rate for persons aged 20-50 with or without children 0-6 years, per cent.

| Employment impact of parenthood | Total | Women | Men |
|--|--------------|--------------|------------|
| <i>With children</i> | 85.7 | 78.6 | 93.4 |
| <i>Without children</i> | 81.7 | 80.1 | 83.1 |
| <i>Difference in percentage points</i> | 4.0 | -1.5 | 10.3 |

Source: Labour Force Survey, Statistics Sweden.

18.A7 Care of dependent elderly

Share of population, 75-84 years old living in ordinary housing¹⁶ who needs and receive¹⁷ help every week, per cent.

| Care of dependent elderly (2006) | Women | Men |
|---|--------------|------------|
| Cohabiting | | |
| <i>Public assistance</i> | 8.0 | 4.0 |
| <i>Assistance from household member</i> | 23.0 | 16.0 |
| <i>Assistance from other family/friends</i> | 9.0 | 2.0 |
| Single | | |
| <i>Public assistance</i> | 10.0 | .. |
| <i>Assistance from household member</i> | 1.0 | .. |
| <i>Assistance from other family/friends</i> | 12.0 | .. |

Source: Living Conditions Survey (ULF), Statistics Sweden.

¹⁶ Not in retirement homes.

¹⁷ The same person can receive help from many different persons.

18.A8 Transitions by pay level

Transition between non-employment and employment and within employment by pay level from year 2005 to year 2006, per cent.

| Total | Status 2006 | | | | | Non-empl. | Total |
|------------------------|-------------|------------|------------|-----------------|------|-----------|-------|
| | 1st decile | 2nd decile | 3rd decile | 4th–10th decile | | | |
| Status 2005 | | | | | | | |
| <i>1st decile</i> | 38.5 | 19.3 | 9.3 | 11.7 | 21.2 | 100.0 | |
| <i>2nd decile</i> | 10.9 | 36.5 | 18.1 | 21.6 | 12.9 | 100.0 | |
| <i>3rd decile</i> | 4.1 | 12.8 | 41.8 | 33.7 | 7.6 | 100.0 | |
| <i>4th–10th decile</i> | 0.8 | 1.7 | 3.4 | 91.7 | 2.4 | 100.0 | |
| <i>Non-employment</i> | 9.6 | 4.4 | 2.0 | 2.5 | 81.5 | 100.0 | |

| Women | Status 2006 | | | | | Non-empl. | Total |
|------------------------|-------------|------------|------------|-----------------|------|-----------|-------|
| | 1st decile | 2nd decile | 3rd decile | 4th–10th decile | | | |
| Status 2005 | | | | | | | |
| <i>1st decile</i> | 36.6 | 18.3 | 9.7 | 13.0 | 22.4 | 100.0 | |
| <i>2nd decile</i> | 10.4 | 35.5 | 16.9 | 23.4 | 13.9 | 100.0 | |
| <i>3rd decile</i> | 4.4 | 12.6 | 37.5 | 37.2 | 8.3 | 100.0 | |
| <i>4th–10th decile</i> | 0.9 | 2.1 | 4.0 | 90.2 | 2.8 | 100.0 | |
| <i>Non-employment</i> | 10.3 | 5.0 | 2.4 | 3.4 | 78.7 | 100.0 | |

| Men | Status 2006 | | | | | Non-empl. | Total |
|------------------------|-------------|------------|------------|-----------------|------|-----------|-------|
| | 1st decile | 2nd decile | 3rd decile | 4th–10th decile | | | |
| Status 2005 | | | | | | | |
| <i>1st decile</i> | 40.1 | 21.1 | 9.3 | 9.4 | 20.2 | 100.0 | |
| <i>2nd decile</i> | 11.1 | 36.2 | 19.2 | 20.7 | 12.7 | 100.0 | |
| <i>3rd decile</i> | 3.3 | 11.6 | 43.5 | 35.1 | 6.5 | 100.0 | |
| <i>4th–10th decile</i> | 0.7 | 1.6 | 3.3 | 92.5 | 1.9 | 100.0 | |
| <i>Non-employment</i> | 11.7 | 6.1 | 2.0 | 2.0 | 78.1 | 100.0 | |

Source: Labour statistics based on administrative sources (RAMS), Statistics Sweden.

19.A1 Inflow into long-term unemployment

Share of young people and adult unemployed becoming unemployed in month X, still unemployed in month X+6/12 without any break of more than one month (28-31 calendar days), per cent.

| Inflow into long-term unemployment ¹⁸ | Total | | Men |
|--|-------|-----|------|
| | Women | | |
| <i>Young people</i> | 10.4 | 9.1 | 11.7 |
| <i>Adult</i> | 10.3 | 9.4 | 11.1 |

Source: The Swedish Public Employment Service.

¹⁸ Young people refer to men and women until the age of 24, adults refer to men and women in the age 25 and older.

19.A4 Follow-up of participants in regular activation measures

1. Rate of inflow of LMP participants into employment 3 months after participation in a measure (6 months in parenthesis).

| Inflow into employment | Total | Women | Men |
|--|--------------|--------------|-------------|
| <i>Total</i> | 45.2 (48.0) | 44.4 (46.8) | 45.8 (49.1) |
| <i>Broken down by measure</i> ¹⁹ | | | |
| - <i>Training</i> ²⁰ | 38.4 (41.8) | 35.4 (38.3) | 40.7 (44.6) |
| <i>thereof employment training</i> | 74.0 (74.0) | 73.3 (72.1) | 74.3 (75.0) |
| - <i>Employment incentives</i> ²¹ | 46.1 (49.1) | 46.0 (48.4) | 46.2 (49.6) |
| - <i>Supported employment and rehabilitation</i> ²² | 39.7 (43.0) | 36.8 (40.5) | 42.8 (45.8) |
| - <i>Start-up incentives</i> | 86.1 (85.7) | 86.1 (85.2) | 86.1 (86.1) |

Source: The Swedish Public Employment Service.

¹⁹ Breakdown based on the categories in the LMP database (Eurostat).

²⁰ International practice scholarship, computer/activity centres, activities within counselling guidance and placement service, projects with employment policy orientation, in-depth assessment and counselling guidance, employment training, preparatory training courses, job and development program, apprentice jobs, youth job programs.

²¹ Employment development programme, wage subsidy, trainee positions for unemployed graduates, general recruitment incentive, special recruitment incentive, plus jobs, trainee replacement scheme, work experience, trial opportunity, municipal youth programme (youths under age 20), youth guarantee (youths aged 20-24), recruitment incentive for long-term sick listed, entry recruitment incentive.

²² Sheltered employment, public sheltered employment, employability rehabilitation programme.

2. Rate of return of LMP participants into unemployment 3 months after participation in a measure (6 months in parenthesis).

| Inflow into unemployment | Total | Women | Men |
|--|-------------|-------------|-------------|
| <i>Total</i> | 17.0 (13.3) | 16.3 (12.5) | 17.6 (14.0) |
| <i>Broken down by measure</i> ²³ | | | |
| - <i>Training</i> ²⁴ | 12.8 (10.9) | 12.3 (10.2) | 13.2 (11.4) |
| <i>thereof employment training</i> | 14.4 (12.5) | 13.5 (12.2) | 14.9 (12.7) |
| - <i>Employment incentives</i> ²⁵ | 23.9 (17.4) | 23.4 (16.5) | 24.3 (18.0) |
| - <i>Supported employment and rehabilitation</i> ²⁶ | 22.0 (17.5) | 22.8 (17.7) | 21.2 (17.3) |
| - <i>Start-up incentives</i> | 5.9 (5.5) | 5.4 (5.4) | 6.2 (5.5) |

Source: The Swedish Public Employment Service.

19.A5 LMP expenditure

Expenditure for active/passive labour market policy as per cent of GDP.

| Active and passive ²⁷ | Active | Passive | Total |
|---|--------|---------|-------|
| <i>Expenditures as % of GDP</i> | 1.1 | 1.0 | 2.1 |

Source: LMP database, Eurostat.

19.A6 LMP expenditure per person wanting to work

Expenditure on LMP divided by the number of persons wanting to work (LFS unemployed plus labour reserve).

| Expenditure on LMP (2006) | |
|--------------------------------------|-------------------|
| <i>LMP services (category 1)</i> | 0.71 |
| <i>LMP measures (categories 2-7)</i> | 4.27 |
| <i>LMP supports (categories 8-9)</i> | 3.61 |
| <i>Total LMP expenditure</i> | 8.58 ^e |

Note: Expenditure are expressed in PPS in order to eliminate price differentials.

e: Estimated value.

Source: LMP database, Eurostat.

²³ Breakdown based on the categories in the LMP database (Eurostat).

²⁴ International practice scholarship, computer/activity centres, activities within counselling guidance and placement service, projects with employment policy orientation, in-depth assessment and counselling guidance, employment training, preparatory training courses, job and development program, apprentice jobs, youth job programs.

²⁵ Employment development programme, wage subsidy, trainee positions for unemployed graduates, general recruitment incentive, special recruitment incentive, plus jobs, trainee replacement scheme, work experience, trial opportunity, municipal youth programme (youths under age 20), youth guarantee (youths aged 20-24), recruitment incentive for long-term sick listed, entry recruitment incentive.

²⁶ Sheltered employment, public sheltered employment, employability rehabilitation programme.

²⁷ Active measures include LMP categories 2-7 and passive measures include LMP categories 8-9.

19.A7 Labour reserve

Inactive persons wanting to work as a percentage of working age population 15-64.

| | Total | Women | Men |
|-------------------------------------|-------|-------|-----|
| <i>Labour reserve</i> ²⁸ | 4.0 | 4.4 | 3.5 |

Source: Labour Force Survey, Eurostat.

19.A8 In-work-poverty risk

Individuals who are classified as employed²⁹ and who are at risk of poverty³⁰ as percentage of working population.

| | Total | Women | Men |
|------------------------------------|-------|-------|-----|
| <i>In-work-poverty risk (2006)</i> | 7.0 | 6.0 | 8.0 |

Source: Eurostat.

19.A9 Employment rate in services

Number of employed persons working in the services sector (in main job) aged 15-64 as percentage of the population of the same age group.

| | Total | Women | Men |
|------------------------------------|-------|-------|------|
| <i>Employment rate in services</i> | 56.5 | 64.5 | 48.7 |

Source: Labour Force Survey, Eurostat.

20.A1 Vacancies per unemployed

Ratio between the total number of the stock of vacancies compared to the total number of unemployed (v/u ratio).

| | Total |
|--|-------|
| <i>Vacancies per unemployed (2006)</i> | 141 |

Source: Eurostat.

²⁸ The labour reserve is here defined as persons who want to work but are not in the labour force, for example due to studying, early retirement, housekeeping, military service or for other reasons.

²⁹ Distinguishing between "wage and salary employment plus self-employment" and "wage and salary employment" only.

³⁰ Whose equivalised disposable income is below 60 per cent of national median equivalised disposable income.

20.A2 Recent immigrants to and within the EU

1. Foreign born persons/ Persons with another nationality than the country of residence/ in the age group 15 – 64 who have been resident 5 years or less in the reporting country as a proportion of total population in the same age group. Breakdown by sex

| | Total | Women | Men |
|-------------------------------------|-------|-------|-----|
| <i>Nationality in another EU27</i> | 0.6 | 0.6 | 0.6 |
| <i>Nationality outside the EU27</i> | 1.4 | 1.5 | 1.2 |
| <i>Total with other nationality</i> | 1.9 | 2.1 | 1.8 |
| <i>Born in another EU27 country</i> | 0.6 | 0.6 | 0.6 |
| <i>Born outside the EU27</i> | 1.7 | 2.0 | 1.5 |
| <i>Total foreign born</i> | 2.3 | 2.5 | 2.1 |

Source: Labour Force Survey, Eurostat.

2. Persons with another nationality than the country of residence/ in the age group 15 – 64 who have been resident 5 years or less in the reporting country by level of education

| | Nationality in another EU27 | Nationality outside the EU27 | Total population aged 15-64 |
|--|-----------------------------|------------------------------|-----------------------------|
| <i>Educational attainment³¹</i> | | | |
| <i>Low</i> | 8.6 | 38.1 | 27.0 |
| <i>Medium</i> | 35.0 | 35.0 | 52.4 |
| <i>High</i> | 56.4 | 26.8 | 20.6 |

Source: Labour Force Survey, Eurostat.

³¹ Low=less than upper secondary education; Medium= upper secondary education completed; High=upper tertiary education completed.

20.A3 Employment/Activity of recent immigrants to and within the EU

1. Employed persons/employed and unemployed persons/ in the age group 15 – 64 with another nationality that the country of residence who have been resident 5 years and less in the reporting country as a proportion of total employed/active population in the same age group.

| | Nationality in another EU27 | Nationality outside the EU27 | Total with other nationality | Total population aged 15-16 |
|----------------------------|-----------------------------------|------------------------------------|------------------------------------|-----------------------------------|
| <i>Employment rate</i> | 66.1 | 39.7 | 47.5 | 74.2 |
| <i>Activity rate</i> | 72.9 | 53.7 | 59.3 | 79.1 |

Source: Labour Force Survey, Eurostat.

2. Employed persons/employed and unemployed/ persons in the age group 15 – 64 with another nationality that the country of residence who have been resident 5 years and less in the reporting country as a proportion of total recent immigrants (persons with another nationality in the age group 15 – 64 who have been resident 5 years and less in the reporting country) in the same age group.

| | Nationa- lity in another EU27 | Nationa- lity outside the EU27 | Total with other nationality |
|---|--|---|------------------------------------|
| <i>Share of employed recent immigrants of total employed population</i> | 0.5 | 0.7 | 1.2 |
| <i>Share of active recent immi- grants of total active population</i> | 0.5 | 0.9 | 1.4 |

Source: Labour Force Survey, Eurostat.

21.A1 Undeclared work

Within the Guideline, there are no agreed indicators yet. Initial discussions have led to the conclusion that the share of persons performing illicit work and the black sector's share of GDP are two measures that seem to be relevant within the Employment Strategy. Thus, these two measures are presented here, per cent.

| Undeclared work | Total |
|---|--------------|
| <i>Share of persons who have performed illicit work during the year (2005)*</i> | 13.0 |
| <i>The black sector as a share of GDP (2002)**</i> | 4.5 |

*Source: Tax Statistical yearbook of Sweden 2006, Swedish National Tax Agency.

**Source: Eurostat.

21.A2 Working time

1. Average weekly number of hours usually worked per week defined as the sum of hours worked by full-time employees divided by the number of full-time employees.

2. Average effective annual working time per employed person

| Working time | Total | Women | Men |
|-----------------------|--------------|--------------|------------|
| <i>Weekly average</i> | | | |
| 2004 | 39.9 | 39.6 | 40.0 |
| 2005 | 39.9 | 39.8 | 39.9 |
| 2006 | 39.9 | 39.8 | 39.9 |
| 2007 | 39.9 | 39.8 | 39.9 |
| <i>Annual average</i> | | | |
| 2004 | 1606 | | |
| 2005 | 1605 | | |
| 2006 | 1601 | | |
| 2007 | 1615 | | |

Source: Labour Force Survey, Eurostat.

21.A3 Overtime work

Employees for whom the number of hours actually worked exceeds the number of hours usually worked due to overtime as a percentage of all employees.

| | Total | Women | Men |
|----------------------|--------------|--------------|------------|
| <i>Overtime work</i> | 14.5 | 11.5 | 17.4 |

Source: Labour Force Survey, Eurostat.

21.A4 Access to flexitime

Total employees who have other working time arrangements than fixed start and end of a working day as a % of total employees

| | Total | Women | Men |
|-----------------------------------|-------|-------|------|
| <i>Access to flexitime (2004)</i> | 61.2 | 62.5 | 59.9 |

Source: Eurostat.

21.A5 Occupational diseases

The trends in occupational diseases, defined as the number of occupational diseases per 1 000 in employment.

| Trends in occupational diseases | Women | Men |
|--|-------|-----|
| <i>2004</i> | 5.7 | 4.2 |
| <i>2005</i> | 4.6 | 3.4 |
| <i>2006</i> | 3.8 | 2.8 |
| <i>2007</i> | 3.0 | 2.2 |

Source: The Work Environment Authority and Statistics Sweden.

21.A6 Employment in newly established enterprises

Number of persons employed in newly born enterprises (in year t) and in surviving enterprises (set ups in years t-3, t-2 and t-1) in relation to the number of persons employed in all active enterprises (in a year t), per cent.

| Employment in newly established enterprises | 2001 | 2002 | 2003 |
|--|------|------|------|
| <i>Total</i> | 1.62 | 1.61 | 1.62 |
| <i>Industry</i> | 0.44 | 0.47 | 0.50 |
| <i>Construction</i> | 2.12 | 1.97 | 2.01 |
| <i>Services</i> | 2.16 | 2.14 | 2.11 |

Source: Structural Business Statistics, Eurostat.

22.A1 Labour productivity, Structural indicator

Gross domestic product (GDP) divided by number of persons employed and hours worked (GDP in PPS per person employed/per hour worked relative to EU25 average/EU15 average), per cent.

| Labour productivity | Total |
|-------------------------------|--------------------|
| <i>Per person employed</i> | 115.3 ^f |
| <i>Per hour worked (2004)</i> | 105.7 |

Note: f = forecast.

Source: Eurostat.

22.A2 Implicit tax rate on employed labour

Ratio of total taxes on employed labour (personal income taxes plus employees' and employers' social security contributions plus payroll taxes) divided by the total compensation of employees plus payroll taxes, per cent.

| | Total |
|--|-------|
| <i>Implicit tax rate on employed labour (2006)</i> | 44.5 |

Source: Structural indicators, Eurostat.

23.A1 Investments by enterprises in training of adults

Investment by enterprises in continuous vocational training (CVT) in relation to labour costs, per cent.

| | Total |
|--|-------|
| <i>Investments by enterprises in training of adults (2005)</i> | 2.1 |

Source: Continuous Vocational Training Statistics (CVTS), Eurostat.

23.A2 Participation in CVT

Share of employees participating in continuous vocational training (CVT), per cent.

| | Total | Women | Men |
|------------------------------------|-------|-------|------|
| <i>Participation in CVT (2005)</i> | 46.0 | 45.0 | 47.0 |

Source: Continuous Vocational Training Statistics (CVTS), Eurostat.

23.A3 Educational attainment level of adults

Percentage of the population aged 25-64 having attained low, medium or high level of education.

| Educational attainment level³² of adults. | <i>Low</i> | <i>Medium</i> | <i>High</i> |
|---|------------|---------------|-------------|
| <u>Sex</u> | | | |
| <i>Both</i> | 15.4 | 53.3 | 31.3 |
| <i>Women</i> | 13.5 | 50.5 | 36.0 |
| <i>Men</i> | 17.2 | 56.0 | 26.8 |
| <u>Activity status</u> | | | |
| <i>Employed</i> | 12.5 | 53.8 | 33.7 |
| <i>Unemployed</i> | 20.8 | 52.9 | 26.2 |
| <i>Inactive</i> | 31.2 | 50.1 | 18.7 |

Source: Labour Force Survey, Eurostat.

³² Low=less than upper secondary education; Medium= upper secondary education completed; High=upper tertiary education completed.