

## 2 Guidelines for economic and budget policy

### 2.1 Introduction

The security situation in Europe has drastically deteriorated. Russia's invasion of Ukraine is unprovoked, illegal and unjustifiable. This aggression is not only an attack on Ukraine but an attack on every country's right to determine its own future, and constitutes a threat to the European security order and international peace. The EU and Sweden have responded forcefully. The Government's measures cover three areas: support to Ukraine, sanctions against Russia and a stronger Sweden.

Sweden has provided both economic and humanitarian support to Ukraine. It has also provided support to Ukraine's armed forces in the form of financial contributions and defence materiel. Sweden has not done anything like this since the Soviet Union attacked Finland in 1939. Standing up for every nation's right to security and self-determination is self-evident. Supporting Ukraine is also important for Sweden's security. The defence of Ukraine's borders is the defence of every country's borders. Taking historic decisions, Sweden and other EU Member States swiftly imposed sweeping sanctions against Russia and Russian central government officials. In these uncertain times, the Member States now stand stronger together.

The Ukrainian people have been hit hard by Russia's aggression and many of them, primarily women and children, have fled the country. Sweden will do its part to receive Ukrainian refugees. At the same time, the Government expects other countries to assume their responsibility, and the solidarity currently shown in the EU and Europe to continue. The situation in 2015, when Sweden assumed a disproportionate share of responsibility, will not be repeated. The reception of Ukrainian refugees will be more evenly distributed throughout the country. Substantially increased funding is being allocated for an orderly reception of refugees throughout Sweden. The aim is to ensure that those currently seeking protection gain access to the housing, education and health care they have a right to. The Government also proposes temporary support to the municipalities assuming responsibility for reception.

The deteriorated security situation in our neighbourhood underscores the importance of strengthening Sweden. Since 2014, backed by a broad political consensus, the Government has been implementing a substantial reinforcement of Sweden's total defence and is now stepping up the pace. Appropriations to military defence will reach two per cent of GDP as soon as practically feasible, i.e. when it is possible to effectively translate these increases into strengthened defence capabilities. The decision has been made to strengthen Sweden's military defence, and the Government is now presenting proposals to strengthen civil defence with the aim of strengthening defence capabilities in the short term.

The Swedish people have recently been impacted by rising prices, in particular for food, fuel and energy. No government can credibly promise to fully compensate for these price increases. However, to mitigate their effects, the Government has presented a package of measures including compensation for high electricity and fuel prices, and reduced fuel tax. To specifically protect households in weak financial situations, a temporary increase of the housing allowance for families with children will also be introduced. The economic trend also highlights the need to improve the

finances of pensioners with a low national public pension. Prices for input goods for agriculture have also increased, and the deteriorated security situation underscores the importance of robust Swedish food production. The Government therefore proposes the introduction of temporary support to certain agricultural sectors, and a temporary tax reduction on diesel for agriculture, forestry and aquaculture.

The Government remains steadfast in its long-term efforts to address societal challenges and to make Sweden safe for all. A strong society is contingent on stable institutions and high levels of social trust. The Government is therefore taking measures to push back against violence and criminality and break segregation, create jobs throughout the country by driving the green transition, and take back democratic control over the welfare system.

The labour market situation has improved in 2021. Employment has increased and more people are in work now than before the pandemic. But to reduce segregation and move closer towards creating equitable conditions in which to grow up and live, and good life chances for all, more people need to be in work. Everyone who can work should work. The Government proposes that funds be allocated to the Swedish Public Employment Service to promote the introduction of entry agreements.

Sweden's dependence on fossil fuels is ultimately unsustainable in terms of both security policy and the environment. The Government now proposes additional measures to accelerate the green transition, including enhanced environmental compensation to strengthen the competitiveness of railways and stimulate the shift of freight from road to rail. The Government also proposes additional funds to maintain the high pace of electrification of the transport sector.

In uncertain times, it is more important than ever that Swedish people know that they have confidence in our schools, care of older people and health care. The Government is working to strengthen democratic control over the welfare system. Everyone who works and builds Sweden must have secure social insurance and future pensions. The Government proposes a guarantee supplement to improve the financial situation of pensioners on the lowest income. This is especially important as prices rise.

Sweden's handling of the pandemic demonstrates that Sweden has the capacity to address major societal challenges. The Government's measures have contributed to reducing the spread of infection, saving lives and reducing the negative impacts on jobs and businesses. The economic recovery has been swift and Sweden has navigated the economic crisis well compared with many other countries. The Government proposes that additional resources be allocated to secure Swedish health care and social services, and that additional funds be provided to ensure that everyone can receive a fourth dose of the vaccine, if necessary.

The past two years have been a significant challenge for Sweden and the Swedish people. Society now faces new challenges. In the current situation, it is also critical that the measures taken are well considered and sustainable over time. It is also important to ensure that they do not heavily impact those who are already socioeconomically disadvantaged. Sweden will meet these challenges with the same force and resolve with which the whole nation together met the pandemic.

In connection with this Government Bill, the Spring Amending Budget for 2022 is being presented (Govt Bill 2021/22:99). The Government has previously presented government bills proposing amendments to the budget for 2022 on six occasions. In addition, the Riksdag has approved two amendments to the central government budget for 2022 concerning financial support and defence materiel to Ukraine.

Proposals in the Spring Amending Budget for 2022 and other measures to strengthen Sweden and support Ukraine are outlined in Table 2.1.

**Table 2.1 Proposals in the Spring Amending Budget for 2022 and measures already adopted to strengthen Sweden and support Ukraine**

SEK billion

	2022
<b>Strengthening of Sweden's total defence</b>	
Strengthening of military defence <sup>1,2</sup>	2.0
Strengthening of civil defence	0.8
<b>Support to Ukraine and initiatives for orderly reception of refugees throughout Sweden</b>	
Support to Ukraine <sup>3</sup>	1.1
Increased costs for housing and compensatory payments	9.8
Additional support to municipalities receiving large numbers of refugees	0.5
Funding to civil society organisations and other measures for orderly reception of refugees	0.2
<b>Mitigate effects on Swedish households and businesses</b>	
Extended and modified electricity price compensatory payments in southern and central Sweden <sup>1</sup>	0.9
Temporarily increased housing allowance for families with children	0.5
Support to agriculture <sup>2</sup>	0.7
Increased Swedish Export Credits Guarantee Board guarantee framework for raw material guarantees	
<b>Break segregation, drive the green transition and take back control over the welfare system</b>	
Promote introduction of entry agreements	0.1
Additional funds to the climate bonus	3.9
Increased environmental compensation for rail freight transport	0.7
Guarantee supplement for pensioners on low incomes <sup>2</sup>	4.2
Increased capacity in the care system and more care places	0.5
<b>Continued management of the pandemic</b>	
Additional funds for vaccination	1.2
Increased costs for high sick pay costs	5.8
Increased costs for temporary parental benefit and pregnancy benefit	1.1
Other measures for handling the pandemic	0.1
<b>Other unavoidable</b>	<b>1.4</b>
<b>Total<sup>4</sup></b>	<b>35.4</b>

<sup>1</sup> Proposals in Government Bill 'Additional amending budget for 2022 – Measures to strengthen the realm's military defence and compensatory payments to households for high electricity prices' (Govt Bill 2021/22:199).

<sup>2</sup> The strengthening of defence, the proposal on temporarily increased tax reduction on diesel for agriculture, forestry and aquaculture, and the guarantee supplement for pensioners are also expected to carry over in 2023, amounting to SEK 4.7 billion, SEK 0.4 billion and SEK 9.3 billion, respectively.

<sup>3</sup> Proposals in the committee initiative 'Amendments to the central government budget for 2022 – economic support and equipment to Ukraine' (Committee Report 2021/22:FiU40) and 'Amendments to the central government budget for 2022 – support to Ukraine with requested defence materiel' (Committee Report 2021/22:FiU46).

<sup>4</sup> The proposals in the Spring Amending Budget for 2022 total SEK 31.4 billion.

Source: Own calculations.

## Measures arising from Russia's invasion of Ukraine

Russia's illegal and unjustifiable invasion of Ukraine has had a severe impact on the country and its people and marks a serious deterioration in the security situation. In response to this, the Sweden Government is taking action in three areas: support for Ukraine, sanctions against Russia and strengthening Sweden.

## **Support for Ukraine**

In order to support Ukraine and address the growing humanitarian needs, the Government has increased its humanitarian aid. In addition, the Riksdag (Swedish Parliament) has agreed that Sweden will make a financial contribution to the National Bank of Ukraine's fund in support of the country's armed forces and send defence materiel. At the Government's initiative, resources have also been made available in the form of a loan guarantee to the International Bank for Reconstruction and Development, which is part of the World Bank Group.

Many people have been forced to flee Ukraine. Most have gone to neighbouring countries, but many of them have sought protection in Sweden. There is a great deal of uncertainty over the number of people who will come to Sweden and how long they will need to stay. The Government is therefore monitoring developments closely and working on a broad range of different measures. The priority in the short term is to ensure that people have a basic level of security and a roof over their heads. The capacity of the Swedish reception system has therefore been significantly expanded over a short timescale. Municipalities have also taken on responsibilities and schools across the country have already admitted children that have arrived or are preparing to do so. The Government is setting aside significant additional funds in order to manage this new situation, and is also proposing extra support for municipalities that take on responsibilities. In line with existing legislation and OECD guidelines, a significant proportion of the increased costs presented in the 2022 Spring Amending Budget Bill will be deducted from the aid budget in 2022. Civil society has been extremely active. Additional funding is being proposed to provide greater support to the important initiatives being undertaken by voluntary organisations. Those people now arriving from Ukraine and being granted a resident permit under the EU Temporary Protection Directive (2001/55/EG) are entitled to work, and it is believed that many people will be in a good position to find work in Sweden. Getting a job means that a person who needed help at the outset is able to take back responsibility for their own livelihood and accommodation.

## **Sanctions against Russia**

Alongside other EU member states, Sweden has quickly and decisively introduced wide-ranging, far-reaching sanctions against Russia and the Russian Government. These include sanctions targeting the financial sector, the energy and transport sectors, products that can be used for both civil and military purposes and individuals with links to the Russian Government. The sanctions have severely restricted Russia's financing options and trade.

## **Strengthening Sweden**

Sweden will increase its defence capability and upgrade its 'Total Defence' capability at a faster pace. The appropriations for military defence will be set at two per cent of GDP as soon as practicable, i.e., when it is possible to effectively translate the increase into improved defence capabilities. New instructions have been drawn up for the Defence Commission, which require the Commission to consult on increases in the appropriation for military defence so as to achieve and then maintain a level of appropriation equivalent to two per cent of GDP. The consultation is due to be completed in May 2022. The Government's position is that a broad-based parliamentary agreement will include funding of the investment in defence. The Government has also initiated cross-party consultation on security policy.

The appropriations for military defence have been increased in 2022 with the aim of enhancing defence capability in the short term. There are now also more options for entering into long-term commitments in respect of materiel orders.

Civil defence and military defence are mutually reinforcing. Sweden's ability to manage a high level of preparedness and ultimately war needs to be widely strengthened. An important aspect of this is strengthening civil defence. The Government is therefore proposing measures to bolster civil defence capability during 2022. Measures include strengthening municipalities' work on emergency preparedness and civil defence, improving the preparedness of individuals, increasing the protection of the population by upgrading shelters and warning systems and boosting resilience and food security in the community.

The invasion of Ukraine has highlighted the importance of secure access to raw materials for Swedish businesses and a secure food supply. To help ensure access to raw materials of national significance to Sweden, the Government is proposing an authorisation to issue credit guarantees to safeguard access to raw materials – a 'raw materials guarantee'. Prices of important agricultural inputs have also risen recently. The Government is therefore proposing temporary support, aimed at greenhouse growers and the pig and poultry sectors, and a temporary reduction in tax on diesel for agriculture, forestry and aquaculture.

As a result of Russia's invasion, the Government has presented a package of measures to address price increases such as in electricity, diesel and petrol. The package of measures includes a temporary reduction in fuel taxes of SEK 1.05 per litre. With the previously announced tax reduction of SEK 0.40 per litre, this would mean that, from 1 May to 30 September 2022, the price of petrol and diesel will be approximately SEK 1.80 lower, inclusive of VAT. The greenhouse gas reduction obligation and the GDP indexing of fuel taxes will be suspended during 2023. The package of measures includes a new compensatory payment for fuel costs for private individuals of up to SEK 1 500 per car owner. Following a Government proposal, a modified version of the compensatory payment for electricity costs will be extended for a further month for households in southern and central Sweden. In order to give households in difficult financial circumstances special protection against substantial price increases, it is proposed that a temporary additional payment be introduced for families with children that are currently entitled to housing allowance or will become entitled later in 2022. The additional payment, which it is proposed will be made from July to December 2022 inclusive, will be the equivalent of 25% of the preliminary housing allowance and will amount to a maximum of SEK 1 325 per month.

## **Push back against violence and criminality and break down segregation**

In uncertain times, a strong society based on trust and a sense of community is more important than ever. There is no place in that society for segregation, violence or criminality. The Government is therefore taking robust action to break down segregation and push back against violence and criminality. More people must gain employment and become part of the community. The Government will leave no stone unturned in taking the necessary action.

### **Push back against violence and criminality**

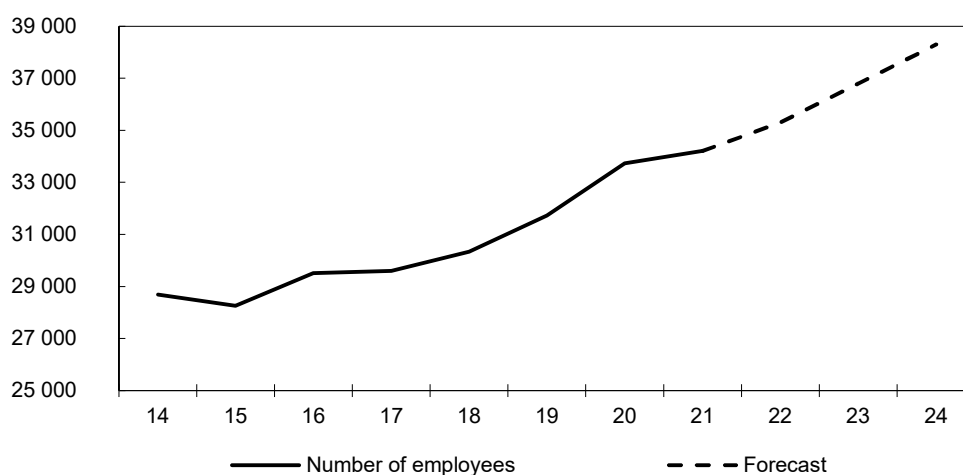
Violence and criminality are a threat to the community, undermine trust between people and erode faith in the future. Since 2014, therefore, the Government has made changes to Swedish penal policy and embarked on a long-term initiative to combat violence and criminality. The Government's programme of measures against gang

crime aims to give the authorities the right tools to combat crime, stiffen the penalties for crime, break down the culture of silence and develop work on crime prevention.

The Government has stiffened penalties for around 60 offences, and around 30 acts that were previously not punishable have been criminalised. The Government has also implemented a historic expansion of the Swedish justice system, which has included an additional 6 000 employees for the police service since 2016 (see diagram 2.1). Since 2014, the number of people admitted to police training courses has more than doubled, and courses are now available at more universities and colleges. The aim is to have employed 10 000 more people in the police service by 2024. In addition, the technical capabilities of the police service have been enhanced with new, more effective tools, such as secret data scanning and additional use of surveillance cameras. To break the culture of silence and encourage more people to testify about crime, the Government is to submit proposals for an option of reduced penalties for those who assist with investigations into another person's crime (known as 'turning government witness') and increase protection for witnesses. The Government's investment in crime prevention measures continues, to include additional work with people who drop out of criminal gangs.

**Diagram 2.1** Number of employees in the Swedish Police Authority

Number of employees 2014–2021; forecast 2022–2024



Source: Swedish Police Authority.

Drug trafficking is an important source of income for criminal networks and is often a source of conflict. To combat the gangs, the Government is launching a crackdown on drugs, which includes work on stiffening penalties for drugs-related crime. The Government has also taken action to prevent and restrict the harmful effects of drugs, including the biggest review of drugs policy in decades.

To assist in the fight against organised crime, legislation around money laundering is being strengthened. This includes the introduction of a new law on money laundering, with considerably enhanced options for penalties, and several authorities have received additional resources to improve their supervisory activity. The Government also plans to submit proposals to increase the sharing of information between banks and law enforcement agencies.

Work-related crime feeds organised crime and drains the welfare and social security systems of resources. The Government has appointed a national delegation whose role includes increasing knowledge of the extent of work-related crime and supporting the stakeholders working to prevent it. In addition, 2022 and 2023 will see the establishment of regional centres to fight work-related crime. The centres represent an

intensification of the joint work of authorities to combat work-related criminality initiated by the Government in 2017, which has resulted in over 6 000 joint authority inspections. To further improve the authorities' joint work, the Government is also evaluating the possibility of greater sharing of information between authorities, municipalities and unemployment insurance funds.

Male violence against women is a serious problem in society that needs to be highlighted and addressed. The Government's work includes initiatives combatting honour-based violence and oppression, sexual violence, prostitution and people trafficking, and support and protection for victims. Several related penalties have been stiffened and a programme of preventive measures has been drawn up.

### **Break down segregation**

Having a job and being able to earn your own living leads to participation in society. It is work that underpins our welfare system, and working relationships help to engender trust in other people, the future and society. Long-term unemployment needs to be countered, particularly in areas with socioeconomic challenges. It is important that the time before a person gets their first job in Sweden is as short as possible. In particular, more foreign-born women need to be in work. Support is available in the community, including education and training and labour market initiatives. But each individual bears responsibility for doing their best to find a job, acquiring a long-term means of earning a living and participating in society.

In the past decade, the extent to which newly arrived immigrants become established has gradually improved. The Government is working to introduce starter jobs in the first six months of 2022 so that more newly arrived immigrants and long-term unemployed people can get a job and get established in the labour market. To promote this initiative, the Government is proposing a special additional contribution to the Swedish Public Employment Service.

The Government is seeking to introduce an activity obligation for unemployed people receiving social security benefits. Individuals who are able to work must meet the same, clear requirements irrespective of the form of support they are receiving. This is an important signal to give. The aim is to break down isolation through meaningful full-time employment, contact with the labour market and social activities that help to improve health and facilitate integration. The Government will also investigate additional drivers to encourage people receiving social security benefits into work.

The Government is working to break down segregation through knowledge-based, cross-sector work over the long term. In addition to measures to get more people into work, the Government's reforms in this area include proposals that require municipalities to actively offer places to children who need preschool education for language development and to improve pupils' knowledge outcomes and increase equality in schools. A further aim is to bolster public services and reduce segregation in housing throughout the country. The Government has also made proposals that increase incentives to share parental benefits more equally, including for parents with low incomes. This may speed up establishment in the labour market, particularly for foreign-born women.

### **Create jobs by driving climate change adaptation**

Sweden is at the forefront of climate change adaptation, thanks to substantial green investment and a clear political direction. Carbon dioxide-free steel production, new battery factories and electric-powered heavy-duty trucks are creating export opportunities and thousands of new jobs across the country. In Norrbotten County

alone, there are plans for green investment of up to SEK 700 billion in the coming years. Climate change adaptation will also help reduce dependence on imported fossil fuels, which will provide Sweden with more security. But in order to achieve the Paris Agreement target of limiting global warming to under 1.5 degrees, the rate of adaptation needs to increase. Sweden will take its share of responsibility for getting emissions down and show the world how faster climate adaptation creates jobs and export opportunities.

### **Reduce emissions and protect valuable natural environments**

Sweden aims to be the world's first fossil-free welfare state. To achieve this, a climate policy framework has been introduced with an ambitious climate target, a Climate Act and an independent Climate Policy Council. The target is for zero net emissions of greenhouse gases into the atmosphere no later than 2045.

Since 2014, the budget for climate and environmental policy has more than quadrupled (see diagram 2.2). One of the Government's most important initiatives in this area is Klimatklivet, the 'Climate Leap', which supports local and regional climate-related investment. Up to and including 27 December 2021, over 4 000 applications for a total of SEK 9 billion, entailing overall investment of approximately SEK 22 billion, had been granted through the Climate Leap, which is expected to jointly reduce greenhouse gas emissions by 1.8 million tonnes annually. This represents approximately 4% of Sweden's overall emissions in 2020.

The Government is also working actively, both nationally and internationally, on reducing negative impacts on the climate, the environment and biodiversity caused by the use of plastics and chemicals and waste management. The ongoing work on accelerating the transition to a circular economy enables more efficient use of resources, which helps achieve both environmental and climate-related targets. In addition to this, the Government is taking action to formally protect valuable natural environments. The Government believes that the protection of valuable forests must be undertaken in a positive spirit of cooperation with forest owners. The basic point of departure and a principal working method for authorities should be voluntary formal protection. Forest owners will be compensated financially for protection of valuable natural environments that entail restrictions on rights of ownership and of use in so far as they are entitled to them.

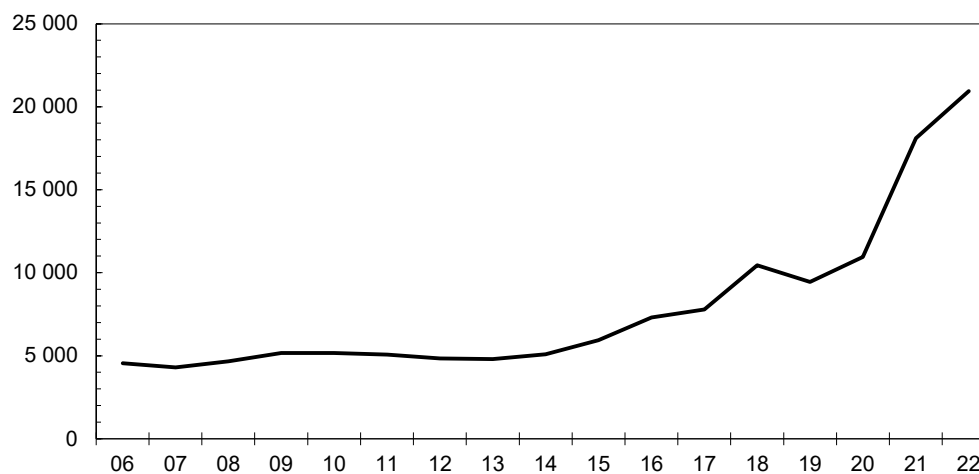
Sweden will be proactive in working to prevent the impact of climate change on security globally and to that end is appointing an ambassador for climate and security.



## Diagram 2.2 Funds for climate and environmental policy

Actual 2006–2021; appropriated funds 2022

SEK millions



Note: Includes 2022 Spring Amending Budget proposal.

Source: Own calculations.

### Green jobs and investments

Climate change adaptation entails a green industrial revolution that will create thousands of new jobs. Swedish workers must therefore be equipped with new skills and expertise. The Government is making historic investments in skills development and mid-career transition. The Kunskapslyftet (“Knowledge Boost”) programme has brought about a significant expansion in education and training places across the country, many of which are permanent. Also included is targeted investment in skills development to facilitate further education and training and transition to support climate change adaptation. The Government is also implementing a comprehensive transition package in line with a proposal from the trade unions and private sector employer. The package includes a new, public support measure to provide greater opportunities for studies and skills development, a new, public transition organisation and a facility for employers funding transition and skills support to be compensated for it. To enhance the supply of skills, the Government has also presented proposals that will make the educational offer at upper secondary school level more responsive to the needs of the labour market, for example, in order to address climate change adaptation.

Access to capital is crucial in supporting climate change adaptation. The Government is working on a broad range of measures to secure green investment and a sustainable financial market, including state credit guarantees for green investment and green government bonds. Pension funds and the Swedish National Pension Insurance Funds are now subject to additional sustainability requirements.

The Government is working to support projects and investments that reduce emissions from industry. The Government launched the Industriklivet (“Industrial Leap”) initiative in 2018 to support precisely this type of project. Sweden is the first country in the world to set aside funds for a state system of support for the capture, separation and storage of carbon dioxide from renewable sources.

Implementing climate change adaptation requires new research. The Government has invested comprehensively in the area, for example boosting the national programmes for climate-related and environmental research. The Government also continues to invest in the European Spallation Source (ESS) research facility in Lund and is now proposing that additional funds be set aside. In addition, the Government aims to

facilitate increased participation in IPCEI (Important Projects of Common European Interest) to speed up the green and digital transition to a sustainable society.

### **A secure energy supply for the future and more sustainable transport**

Dependence on raw materials such as gas, oil and coal from Russia and higher energy prices entails security vulnerabilities and risks for energy intensive industries. Access to fossil-free electricity is also essential for a sustainable transition within industry, the transport sector and the rest of society. This requires continued, rapid expansion of cost-effective, renewable energy. The energy supply of the future requires new solutions if Sweden is to continue to have a robust electricity system with security of supply, low environmental impact and electricity at competitive prices. The Government has therefore produced a national strategy for electrification, which was agreed in February 2022. The strategy will help to bring about rapid, smart electrification that is socio-economically efficient. The electricity grid needs to increase its transmission capacity significantly to improve electricity supply, while lead times for investment in the electricity grid need to be shortened to meet the needs of industry. It is expected that the next few years will see continued and rapid expansion of wind power, and there will be greater incentives for municipalities to give permission for wind power installations.

The transport sector is responsible for almost a third of fossil emissions in Sweden, but is well placed to transition to fossil-free operation. The Government aims to put forward a new national plan for transport infrastructure for 2022–2033. As part of this, the Government will be making the biggest investment in the railways in modern times. To increase the pace of climate change adaptation, the Government also proposes increased environmental compensation for freight transport on the railways, with the aim of improving the competitiveness of the railways.

The Government is also stepping up the pace in its work on electrification of the transport sector. Charging infrastructure is being expanded, including through the Climate Leap, which has helped fund 65 000 charging stations across Sweden. The bonus malus system for vehicle tax will encourage the use of cars with lower carbon dioxide emissions. Climate premiums have been introduced to adapt heavy-duty vehicles. The electrification of the transport sector is proceeding at speed, and there have been more sales of cars entitled to the climate bonus than expected. In order to maintain the rapid pace of transition, the Government is proposing a further allocation of funds. To reduce emissions from work-related journeys, the Government has proposed that the current travel allowance be replaced with a tax reduction based on distance travelled and irrespective of the mode of travel, with the limits on distance in designated metropolitan municipalities greater than those in other areas.

### **Take back democratic control of the welfare system and ensure social insurance and pensions provide security**

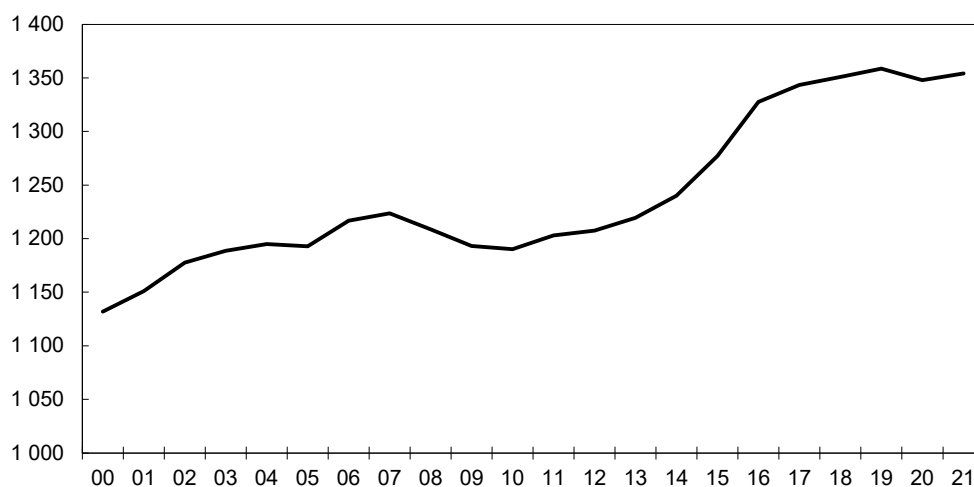
A supportive welfare system is essential for an equitable and cohesive Sweden. Sweden will have high-quality healthcare, schooling and social care throughout the country and the shared tax revenue will be put to the uses intended. Everyone who is working and helping Sweden to develop will have social insurance and pensions that provide security.

The pandemic has highlighted serious failings in the welfare system. Understaffing and fragmentation create holes in our safety nets. Even before the pandemic, the Government had been allocating significant resources each year to help strengthen the welfare sector. Since 2014, the number of employees in the welfare sector has increased by over 100 000 (see diagram 2.3). Additional staff are still needed in the

welfare sector, and improvements are to be made to the work environment and working conditions.

**Diagram 2.3 Number of employees in the welfare sector**

People (thousands)



Note: The information is based on the number of employees in the municipal sector, as reflected in the national accounts, plus an estimate of the number of employees in welfare in the private sector. Municipally-funded activity means the whole municipal sector, i.e. both municipalities and regions. There are no gender-disaggregated statistics.

Sources: Statistics Sweden and own calculations

### **High-quality healthcare, schooling and social care throughout the country**

The pandemic has highlighted the need for and importance of a supportive welfare system. To further strengthen the welfare system, the Government has ensured that municipalities and regions have access to substantial amounts of funding through general government grants. The regions are also being given additional funds to improve particularly important areas of healthcare, including shortening waiting times, supporting the development of local healthcare across the country, improving mental health services and improving and developing cancer care and obstetrics. The Government is making more places available for on-the-job training so that teaching institutions can train more nurses and support CPD for nurses. The Government is also proposing further injections of funds aimed at increasing capacity in healthcare, including increasing the number of beds, employing more people in healthcare, such as nurses, and improving the work environment. In addition, several initiatives are being implemented to strengthen emergency preparedness and civil defence within the healthcare system.

The Welfare Commission, appointed by the Government in 2019, has identified several measures needed to improve the ability of municipalities and regions to provide good-quality welfare services. The majority of the Commission's 29 proposed measures have been implemented or started, including investment in a shared digital infrastructure that will enable the private sector to benefit more from the opportunities provided by digitalisation.

All children, irrespective of where they live or their parents' socioeconomic circumstances, are entitled to good schooling. However, society has not been sufficiently strong to counter inequitable conditions and school segregation. The educational level of parents and other socioeconomic conditions continue to be important factors in pupils' learning outcomes and in the divergence in schools' learning outcomes. Gender too is important – boys perform less well in school than girls. The Government wants to change this and has introduced major investment and

reforms to improve learning outcomes and increase equality. More children will attend preschool so that they have better, more equitable prospects of success in education. The number of full-time posts in school has increased by over 35 000 since the 2014/15 academic year. The equality grant for schools has been gradually extended, and the Government is proposing legislative changes to provide a secure and positive environment for learning in all schools. In order to regain democratic control of schools, the Government has also presented proposals for clearer and more equitable allocation of resources to responsible authorities, regulated selection criteria for preschool class, compulsory school and compulsory school for children with intellectual disabilities, and clearer terms and conditions for the establishment of independent schools.

Care for the elderly in Sweden needs to provide reassurance and security. The pandemic has highlighted structural failings in care for the elderly, which have also been noted by the Corona Commission (SOU 2020:80 p. 246). The Commission has said that organisations were poorly prepared, due in part to an inadequate legal framework, organisational failings, insufficient staffing and a lack of medical skills. The Government is putting ambitious measures in place to improve care for the elderly in the long term. This includes an ‘elder care boost’ that will give staff caring for the elderly better opportunities for additional training and development. The profession of assistant nurse (‘undersköterska’) is to become regulated, anyone receiving home care services will be given a named care contact, and additional places are being created to train specialist assistant nurses. The Government has also set up an inquiry to produce proposals for a law on care for the elderly, with the aim of laying down a solid, long-term foundation for care for the elderly and ensuring access to good healthcare and medical expertise.

### **Insurances and pensions that provide security**

Society must provide a safety net when people suffer illness or unemployment. General social security provisions are a key element of the Swedish welfare model that provide security and combat financial vulnerability. The Government is working to improve the system. Changes have been made to legislation to make it easier for people in need of longer-term care, treatment and rehabilitation to return to regular working. Measures have also been put in place to improve options for those able to work part-time while they are on sick leave. There is now greater protection for on-call employees and older people in the event of illness, and the ceiling for sickness compensation has also been raised by 25%. For people receiving sickness compensation or activity compensation, the housing supplement and guaranteed rate have been increased. Taxation for people receiving sickness or activity compensation has been further reduced with the aim of eliminating the discrepancy between taxation of this compensation and taxation of earned income.

Anyone losing their job will be financially secure while transitioning to a new job. More people will have the security of an unemployment benefit fund (‘a-kassa’). To encourage membership, the Government has proposed tax relief on 25% of unemployment benefit fund fees from 1 July 2022.

The Government wants to continue to improve the financial position of pensioners. During its term of office, there has been a rise in the national guarantee pension and the housing supplement has been boosted. The Government has also put forward proposals to reform the premium pension system. For those who have worked for a long period on a low income, an income pension complement was introduced in 2021. The Government is also working towards a ‘security pension’, so that no person who is physically weakened by their work or becomes ill close to retirement age is forced to

draw their pension in advance. As the Government has reduced taxes for pensioners, the discrepancy between taxation of pensions and earned income will have been eliminated by 2023. In order to raise pension levels generally, the Government is also seeking to increase payments into the pension system. The aim is for a person who retires to receive a total of at least 70% of their final salary through the national public pension and an occupational pension.

The Government wants to continue improving the financial position of pensioners who receive only a small public pension. It is therefore proposing a reform that will put SEK 1 000 more in the wallet of around half a million pensioners every month. In total, over a million pensioners will be better off from August 2022. This is ultimately a way to show respect for the people who have helped to build up our country.

### **Tax revenue will be put to the uses intended**

The welfare system needs to be clear and systematic. Those entitled to compensation must receive it, but not a single krona must go to anyone who cheats the system. The Government has therefore embarked on a campaign against cheating and welfare crime. This includes combatting erroneous payments, tax offences, benefits offences, work-related crime, money laundering and the financing of terrorism.

The Government is setting up Utbetalningsmyndigheten, an agency which will develop cross-system control of all welfare system payments. This will make work on criminality and erroneous payments within the welfare system more systematic and efficient than it has been previously. The Swedish Public Employment Service, CSN (the national authority for the payment of higher education grants), the Swedish Migration Agency and the Swedish Pensions Agency have been given resources to prevent, check and monitor erroneous payments and welfare benefit cheating. The Government has also tightened up several laws, for example to improve the quality of the population register. In addition, the Government has appointed an inquiry tasked with making proposals for the better prevention and combatting of offences perpetrated against authorities that pay out benefits. The Government has also appointed an inquiry whose tasks include making proposals for the introduction of specific safeguards under criminal law in respect of state support for companies and other legal entities.

### **Measures arising from the pandemic**

The spread of COVID-19 has caused great hardship and society has been put to the test. Since the Government categorised COVID-19 as a disease dangerous to society on 1 February 2020, the whole of Sweden has come together in response. Sweden's responsible fiscal policy meant that the country had the necessary resources to deal with the pandemic. In the Government's first term of office, SEK 35 billion was invested in the welfare system and payments were made to reduce the national debt. As a result, when the crisis arose, Sweden had 100 000 more staff working in the welfare system than in 2014 and the lowest level of national debt as a proportion of GDP since 1977.

The Government and the Riksdag have put a large number of measures in place to manage the pandemic and its consequences. In total almost SEK 600 billion has been made available to safeguard people's lives, health and ability to support themselves (see table 2.2). The support measures have meant that bankruptcies have been prevented, employment levels have been maintained and cuts in the welfare system have been avoided. This differs from previous crisis situations, when the number of staff in the welfare sector fell. The Government is also proposing that further

resources be made available for the ongoing management of the pandemic and its consequences.

**Table 2.2 Measures taken since the outbreak of the pandemic**

SEK billions

	2020	2021 of which 2021 Budget Bill	2021 of which Amending Budget	2022 of which 2021 Budget Bill	2022 of which agreed budget	2022 of which Amending Budget	Total 2020–2022
<b>Additional resources for the welfare system and for reducing the spread of infection</b>							
General Government grants to municipalities and regions	21	10	13	5	3	13	64
Compensation for additional health and social care costs	10		11				21
Deferred treatment and treatment for COVID-19		4	2	4	2		12
Testing and contact tracing etc.	8	2	18		2	8	38
Safe, rapid testing			11		6	4	20
Greater security in care for the elderly		4		4			8
Deductions for waiting days, medical certificates, at-risk groups and disease carrier allowance etc.	7	1	4		0	2	13
Other contributions to healthcare, schools, social care etc.	1	4	1	4	9	0	19
<b>Emergency support to save Swedish jobs and companies</b>							
Furloughing	35		8			2	45
Reduced employers' and employees' contributions (gross)	33						33
Transition support, revenue support, etc.	6	4	12			4	26
Sick pay responsibility, rental support, etc.	16	4	12			13	44
Sport, culture and media support	5	2	5	1	2	3	17
<b>Security and transition for people who have become unemployed</b>							
Enhanced unemployment benefit funds	5	6	1	5			17
Active labour market policy and extra education and training places	7	8	6	7	5	0	34
Other measures for security in society and transition	1	0	1	0			2
<b>Reforms to move Sweden forward</b>							
Climate change adaptation to go faster	3	9	2	4	8		26
More people to be in work		24	3	21	8		56
Growth for the whole country		5	0	5	5	8	23
Sweden to be a secure country for everyone		3	0	4	4		12
Boost for household finances		11		13	14		38
Other measures	4	5	5	8	7	2	30
<b>Total</b>	<b>161</b>	<b>105</b>	<b>114</b>	<b>85</b>	<b>75</b>	<b>58</b>	<b>599</b>

Note: Amounts are rounded and so do not always tally with the total.

Source: Own calculations.

### Measures to protect lives and health

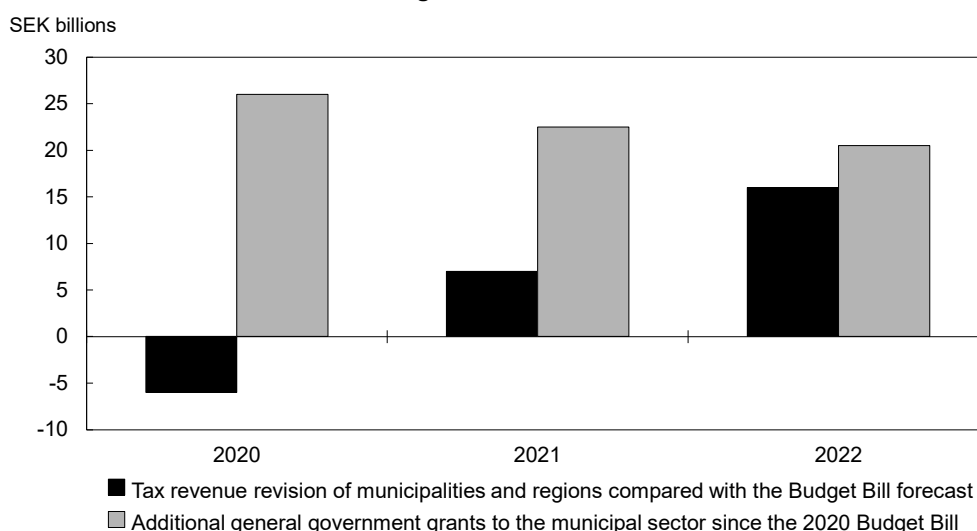
A healthcare system that works is essential for the protection of people's lives and health and for providing security. Significant funds have therefore been made available to municipalities and regions for the additional costs that have arisen due to the pandemic, but also to support the regions' management of deferred healthcare. The

additional funds include substantial resources for the regions to facilitate large-scale testing and contact tracing and to undertake the biggest vaccination campaign in Sweden’s history. On 7 April 2022, approximately 85% of the Swedish population aged 12 or over had received two doses and 63% of the population aged 18 or over had received three doses. The Government is now proposing that additional funds be made available to ensure that everyone can have a fourth dose, as needed.

Funds have also been set aside to enhance care of the elderly and improve staff skills. As the pandemic has spread, temporary amendments have been made to the social security scheme. This includes compensation for deductions for waiting days in order to reduce the spread of infection, at-risk group compensation to protect at-risk groups and deferred requirements for a medical certificate to reduce the pressure on healthcare.

Overall, general government grants for the municipal sector have been increased to a much greater extent than tax revenue has reduced compared with the pre-pandemic forecast. It has been important for the Government to allow for safeguarding the welfare system and slowing down the downturn in the economy (see diagram 2.4).

**Diagram 2.4 Revision of tax revenues and additional general government grants since the 2020 Budget Bill**



Note: The diagram compares the forecasts for 2020, 2021 and 2022 municipal tax revenue in the 2020 Budget Bill (Bill 2019/20:1) with the outturn for 2020 and the forecasts for 2021 and 2022 reported in this bill. The bars thus show the extent to which the pre-pandemic forecasts of municipal tax revenue have been revised. The bars also show the Government’s additional general government grants to the municipal sector since the 2020 Budget Bill. They do not include the SEK 2.5 billion Riksdag initiative in 2020 as this was not a Government initiative.

Sources: Statistics Sweden and own calculations

### Measures to protect jobs and income

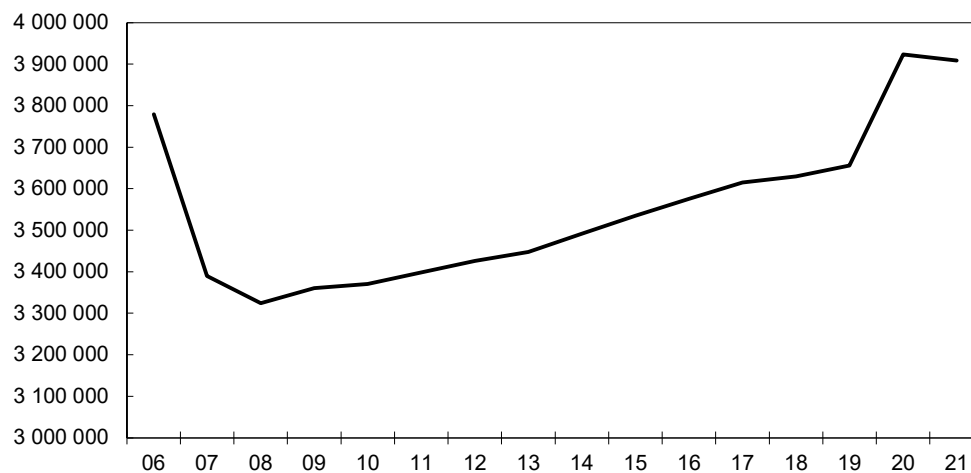
Restrictions due to the pandemic, and the behavioural changes they gave rise to, led to a sharp downturn in the economy. It has been extremely important to alleviate the financial consequences and save Swedish jobs and companies.

Fiscal policy has had a greater role to play than in previous crises. Without the Government’s input, companies and workers would have had to bear a greater proportion of the costs of shutdown in the form of bankruptcy and unemployment. The Corona Commission’s final report states that the Government’s swift and strong measures helped to slow down the downturn in the economy and boost economic recovery (SOU 2022:10 p. 595).

The emergency measures have made a difference, but in a powerful, rapid downturn some loss of jobs is unavoidable. As a result, the Government has made temporary amendments to the unemployment insurance system, both to ensure it covers more workers and to give members greater financial support when unemployed. Since the start of the pandemic, over 250 000 more people have become members of unemployment benefit funds (see diagram 2.5).

**Diagram 2.5 Membership of unemployment benefit funds**

Number of people



Note: The annual numbers shown relate to the month of December.

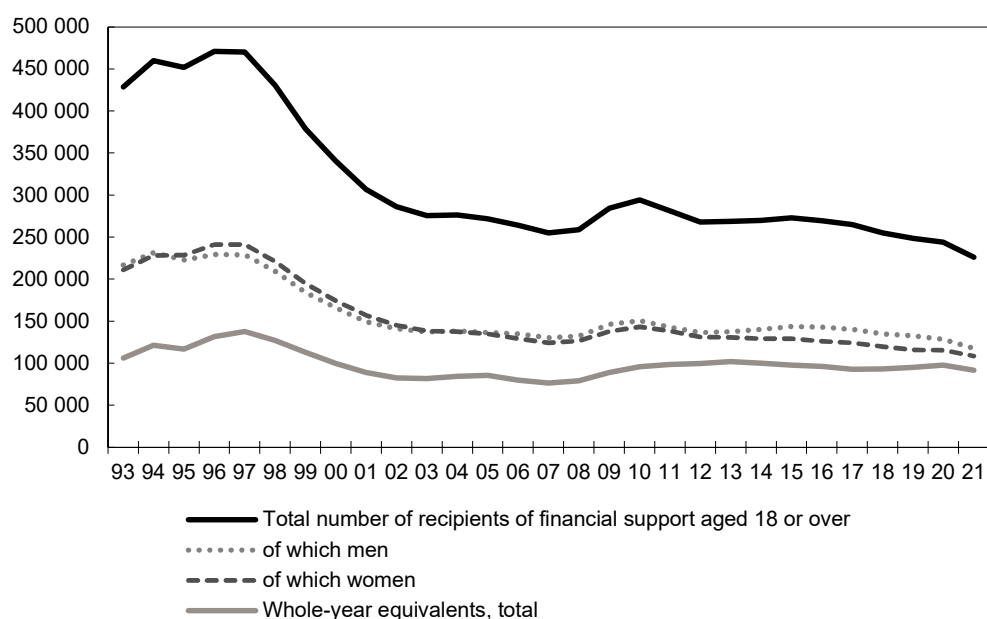
Source: The Swedish Unemployment Insurance Inspectorate.

The boost in unemployment compensation and support in the event of short-time working have been important for maintaining the level of household spending. The Government has taken action to protect jobs and provide greater security of income for those who have lost their jobs. 2020 and 2021 also saw a reduction in the number of people receiving financial support (see diagram 2.6).



**Diagram 2.6 Recipients of financial support aged 18 or over**

Number of people



Note: One whole-year equivalent represents one person who has received financial support for a whole year. Where two people have each received financial support for half a year, this is counted as one whole-year equivalent but two recipients.

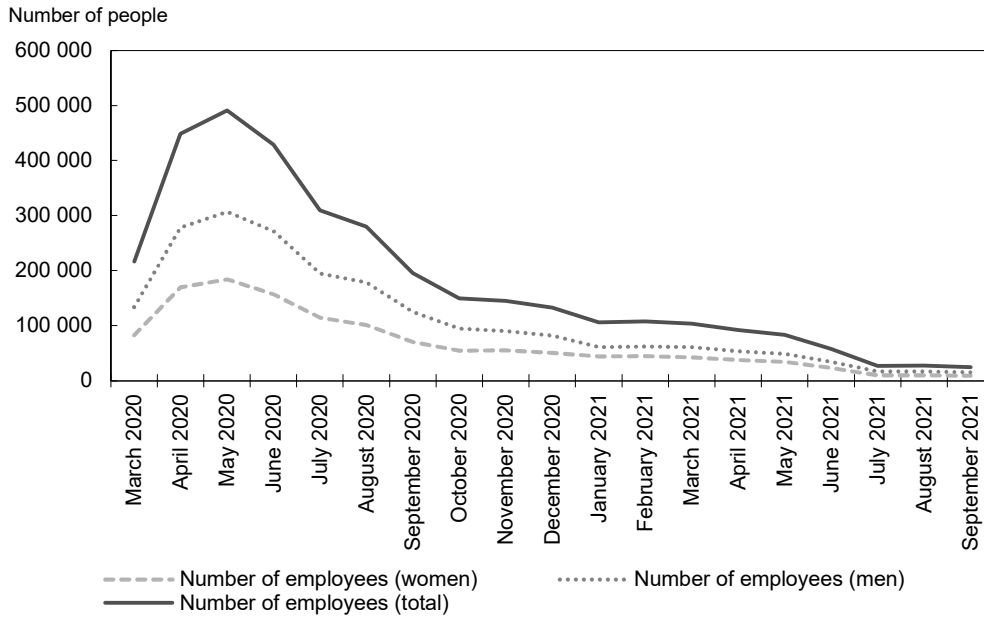
The numbers of recipients of support in 2021 are preliminary figures.

Sources: Statistics Sweden and the National Board of Health and Welfare.

The Government has also boosted sickness benefits and increased opportunities for transition. The Knowledge Boost programme has also been enhanced during the pandemic to provide more education and training places that better meet society's needs. Groups that find it difficult to get established in the labour market are thereby in a better position to gain qualifications for work. In order to support people in vulnerable circumstances, the housing allowance for families with children has been temporarily increased and additional resources have been allocated to civil society. Funds have also been given to organisations working with women, children and LGBTIQ people subjected to violence and organisations working to combat violence in close relationships and honour-based violence and oppression.

The support measures have helped to maintain the level of employment. Employment in Sweden fell at the outset of the pandemic, but subsequently rose again, and is currently higher than in 2014 and amongst the highest in the EU. The short-time working system has been crucial to saving jobs. In total, approximately 600 000 individuals were furloughed during the crisis (see diagram 2.7).

**Diagram 2.7 Number of employees furloughed**

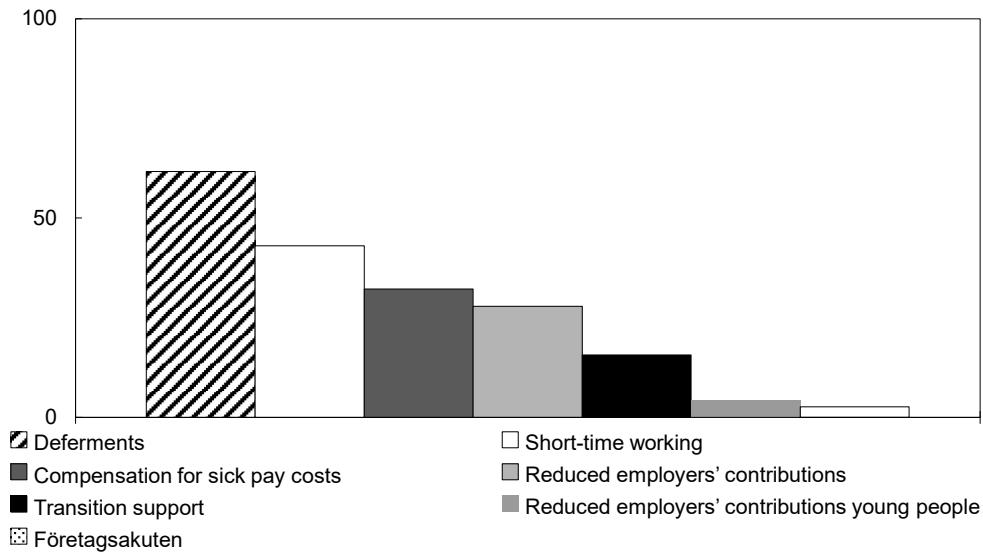


Note: Data is from 29/03/2022. The figures are preliminary and may change.  
 Source: Agency for Economic and Regional Growth.

Companies that have been impacted financially have been given various forms of support to help them survive the crisis and avoid redundancies (see diagram 2.8). The measures have sought to reduce costs, strengthen liquidity and improve financing options. The funds have mainly been allocated on the basis of how seriously the companies have been impacted financially, but some support has been targeted at specific sectors, such as media, culture, sport, public transport, railways, air travel and sea travel. Companies have also received compensation for high sick pay costs. To facilitate companies' ability to finance export transactions, the Swedish Export Credit Agency's credit guarantee framework for export credit and the Swedish Export Credit Corporation's credit facility at the Swedish National Debt Office have been extended. There have also been temporary and advance tax reductions relating to jobs and companies. For example, the cost of employment has been reduced through a temporary lowering of employers' contributions, including for 19 to 23-year-olds. The reduction for 19 to 23-year-olds has been particularly important for companies in sectors that employ a lot of young people and that have been affected by restrictions and changes in behaviour due to the pandemic, for example the hospitality sector.

**Diagram 2.8 Payments of some types of support, deferments granted and guarantees issued**

SEK billions



Note: Deferment means that traders are able to defer payment of deducted tax, employers' contributions and VAT and is thus a measure that increases liquidity. Compensation for the costs of sick pay means full compensation for the period April to July 2020 and thereafter compensation for sick pay costs considered to be above the normal level. The temporary general reduction in employers' contributions applied from March to June 2020. The reduction means that the employer paid 10.21% in employers' contributions instead of 31.42% for up to 30 employees per company and up to a wage bill of SEK 25 000 per employee and month. The temporary reduction in employers' contributions for young people applies to people aged 19 to 23 in the period from 1 January 2020 to 31 March 2023. The reduction means that the employer pays 19.73% in employers' contributions instead of 31.42% on remuneration of up to SEK 25 000 per month. From 1 June to 31 August 2021, contributions were further reduced to 10.21%. 'Företagsakuten' was a guarantee programme whereby the Swedish National Debt Office issued credit guarantees mainly to small and medium-sized companies that had been impacted financially by the pandemic. All data is as at 31 December 2021.

Sources: Statistics Sweden, the Agency for Economic and Regional Growth, the Swedish National Debt Office and own calculations.

### The pandemic is entering a new phase

As of 1 April 2022, COVID-19 is no longer classified as a disease dangerous to society. The pandemic is therefore entering a new phase, but it remains important to track the spread of infection, get more people vaccinated and improve the healthcare system. At the same time, Sweden is having to face new challenges. The uncertain situation underlines the continuing need for a good level of preparedness.