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**The Swedish Reform
Programme for
Growth and Jobs
2006 to 2008**

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1 The Swedish Reform Programme for Growth and Jobs

1.1 Introduction

In September 2006 a general election took place in Sweden. The election results meant a change in government, with the Alliance for Sweden forming the government. This communication to the Riksdag presents the Government's revised Swedish Reform Programme for Growth and Jobs 2006 to 2008 within the framework of the European Strategy for growth and jobs, The Lisbon Strategy.

Putting Sweden to work - a good deal for all

Sweden's economy is in a strong phase. In the first part of 2006, both domestic and foreign economic demand have grown on a broad front. The investment climate remains good and household consumption has grown vigorously. Sweden is in many respects a country that has made good use of individuals' ability and willingness to work, to take responsibility and develop as well as to be inventive and invest in the future. Sweden is characterised by openness to the world around it and a willingness to embrace change. In recent years, Sweden has risen steadily in international rankings of competitiveness and business climate.

But Sweden is facing major challenges. Despite good growth more than a million people are outside the labour market and social exclusion is widespread. As the population ages, the demand for welfare services will increase. Globalisation puts the Swedish economy's adaptability and flexibility to the test. Environmental challenges, not least climate change, demand new and more effective solutions.

Sweden's Revised Reform Programme for Growth and Jobs, 2006 to 2008, presents the Government's policy, which will lay the basis for long-term sustainable economic development, create scope for increased welfare and meet future challenges. In the Budget Bill for 2007, the Government proposes and announces a large number of measures to implement this policy.

It is absolutely vital to meet the demographic challenge by maintaining sustainable public finances over the long term. The surplus target for general government net lending is to be maintained and each reform will be examined in light of what the economy can bear.

More worthwhile to work and run a business

By overcoming exclusion in the labour market and creating more jobs and more enterprises, welfare can be safeguarded. Sweden's reform

programme therefore contains a broad programme for jobs and enterprise.

First, it will be more worthwhile to work. A major income tax reform is proposed, with the emphasis on improving work incentives for low and middle-income earners. In the long term the Government intends to propose further income tax reductions. The work-first principle will be made clearer in the unemployment insurance by changes in benefit levels and conditions in the insurance system. Unemployment insurance is to provide temporary compensation in the event of unemployment. This compensation is to give the individual security and make adaptation easier but it is not to provide a long-term means of support. The aim of sickness insurance must be to protect the security of those who suffer illness or an accident. At the same time it must provide an incentive and an opportunity to return to work.

Second, it will be easier and less costly to take on new employees. Measures will be introduced to make it easier for people who have long been outside the labour market to return to work. The costs of employing young people will be reduced. The responsibility of employers for co-financing sickness benefit after the second week will be abolished in the sickness insurance. The Government also considers it important to lower employers' social security contributions in certain service industries. The Government has announced proposals for a tax reduction on private individuals' purchases of domestic services. There will be a fundamental reform of the Swedish Labour Market Administration and a curtailment of the scope of labour market policy, both by reducing the number of people in programmes and by phasing out a number of measures.

Third, improvements will be made to Sweden's business climate and it will be more worthwhile to run a business. The Government has proposed a range of measures to encourage entrepreneurship and make it more worthwhile to take on employees. Companies will have better access to capital and there will be a reduction in their administrative costs by tackling complex regulations and red tape. The proposed measures to increase the demand for labour by discontinuing employers' social security contributions for certain services and offering income tax deductions for household-related services will also favour the development of new and existing companies in the services sector. The Government is also proposing a drive to increase women's entrepreneurship and make it easier to start and run a business in the welfare sector. The Government intends to implement changes aimed at increasing diversity and competition among different actors in health care and social services. The Government also intends in the next four years to take action to strengthen Swedish research.

Sweden in a globalised world

Global environmental challenges, particularly climate change, affect the conditions for life all over the world and must be given greater attention. Energy and climate issues are rapidly becoming crucial challenges. Rapidly rising energy prices, increasing insecurity of energy supply and the consequences of a more unstable climate affect every sector of society. Energy security is an increasingly important issue for Europe,

which is the world's biggest importer of oil and gas. The Government intend to establish a Sustainability Commission with the aim of strengthening the efforts for sustainable development

Sweden is facing major challenges. Globalisation and growing international trade mean challenges as well as opportunities. The growing proportion of elderly and shrinking proportion of younger people in the population constitute a demographic trend that will lead to a smaller labour supply at the same time that demands on the welfare system will increase. To preserve and develop the welfare system under these conditions poses heavy demands. Sweden needs a well-functioning and flexible labour market, an effective, high-quality education and research structure and a population able to understand and adopt new technologies. The Government proposes the establishment of a Globalisation Council to provide a comprehensive analysis of these major issues and promote a public debate in society. The Council will be led by the Minister for Education and Science and will include representatives from public sector, the business sector, trade unions, science and culture.

1.2 The state of the economy

During the first part of 2006 Swedish GDP-growth was very strong. The positive development in the first half of the year stems from the growth in demand in the Swedish economy on a broad front. After a relatively weak growth in the first half of 2005, exports have rebounded substantially, the strong investment climate has held firm and household consumption has grown at a steady pace.

Though future GDP growth will be more subdued, it will still be high in historical terms. The main reason for the moderation in GDP growth, which will not become truly apparent until 2007, is a deceleration of investment. Total investment has increased since 2003, driven in part by high capacity utilisation and favourable financial conditions in enterprises. These forces are still active, indicating that the level of investment will remain high. But as new production capacity is added, investment growth in industrial machines and other areas is expected to decline.

The moderation in GDP growth in 2007 is also due to weakening export growth. However, this year the demand for Swedish products abroad has strengthened, partly as a consequence of the recovery in the euro area, which is very important for the Swedish export industry. As a result, the export of goods is growing at a healthy pace in 2006. Next year the global economy will weaken somewhat so exports will grow more slowly. The declining rate of growth in investment, and to some extent exports, will be offset by growing Swedish household consumption.

Fiscal policy is likely to be weakly expansionary in 2006 and neutral in 2007, and despite a less expansive monetary policy in future, interest rates are expected to remain low. Employment is expected to increase rapidly and thus contribute to a high rate of growth in household disposable incomes. In addition, the current wealth position of the

households is high. All these indications point to a further increase in the rate of growth in household consumption during the forecast period. Household consumption is expected to grow particularly strongly in 2007. Public consumption will rise mainly in the municipal sector, owing in part to improved municipal finances.

Table 1. GDP by type of expenditure

Percentage change

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|------------|------------|------------|------------|------------|
| Household consumption | 2.4 | 3.6 | 4.2 | 3.6 | 3.1 |
| General government consumption | 0.7 | 1.4 | 1.5 | 1.0 | 0.6 |
| Gross fixed capital formation ¹ | 8.5 | 7.2 | 3.3 | 3.6 | 3.6 |
| Changes in stocks | -0.2 | -0.2 | 0.1 | 0.1 | 0.0 |
| Exports | 6.4 | 8.3 | 6.4 | 6.1 | 5.9 |
| Imports | 7.3 | 7.6 | 7.1 | 6.4 | 6.1 |
| GDP | 2.7 | 4.0 | 3.3 | 3.1 | 2.7 |
| Regular employment rate ² | 77.4 | 77.7 | 79.0 | 79.8 | 80.2 |
| Open unemployment ³ | 6.0 | 5.6 | 5.8 | 5.0 | 4.3 |
| Total unemployment ³ | 8.7 | 8.7 | 7.7 | 6.3 | 5.8 |
| UND1X, annual average | 0.8 | 1.3 | 1.9 | 1.5 | 1.8 |
| CPI, annual average | 0.5 | 1.6 | 2.5 | 2.0 | 1.9 |

Sources: Statistics Sweden and Ministry of Finance.

1 Contribution to GDP growth, percentage points.

2 The number of people in regular employment aged 20-64, i.e., excluding people employed in a labour market policy programme, as a percentage of the population in this age group.

3 As a per cent of the labour force.

4 The number of people in open employment and in labour market policy programmes.

So far in 2006 inflation has risen somewhat, but it still remains under the Riksbank's target of 2 per cent. Inflation has been low in recent years. The moderate wage development combined with strong productivity growth is holding down companies' labour costs and keeping domestic inflation in check. However, increased energy prices and rising prices on imported goods have meant that the consumer price index (CPI) has increased somewhat recently. When in future the rate of wage increases climbs at the same time that productivity growth is moderating, domestic inflationary pressures will increase somewhat. However, a stronger krona and falling energy prices are expected to contribute to dampen inflation somewhat for the period to come.

Well-functioning wage formation is a critical factor affecting inflation and makes lower unemployment, higher employment and output growth possible. The social partners have acted with considerable responsibility in recent years. The nominal rate of wage increases since the mid-1990s has been about half that of the 1980s, while real wage growth has been substantially better. In 2006 wages are expected to continue to grow at a relatively modest pace, owing to low agreed wage increases and low resource utilisation.

After four years of weak development, employment growth turned upward during the second half of 2005. This positive trend has continued in 2006. However, there has not been a corresponding drop in open unemployment since the labour supply has also increased. The prospects for this increase in employment to be sustained are expected to be good. Overall, employment is expected to rise by 1.7 per cent this year and 1.5 per cent next year. In 2007 labour market policy programmes will be sharply reduced and thus open unemployment will rise somewhat. However, total unemployment, that is, open unemployment and people in programmes, will decline sharply.

1.3 Preparation of the Swedish Reform Programme for Sustainable Growth and Jobs

In March 2005 The European Council called upon the Member States to present National Reform Programs for growth and jobs for 2005 to 2008 as well as an annual progress report. The decision to institute national reform programmes was taken in connection with the European Council's mid-term review of the Lisbon strategy. Its aim was to strengthening the political commitment and reinforces implementation at the national level. The Reform Programmes and the Annual Progress Reports constitute an important basis to the Commission and the European Council in the examination of the member states' implementation of the Lisbon strategy.

The Integrated Guidelines approved by the Member States (see Appendix 2) form the basis of the National Reform Programmes and the progress report. The integrated guidelines consist of the Broad Economic Policy Guidelines and the Employment Guidelines. The guidelines respond to the main challenges that lie ahead, such as globalisation and the ageing population and focus on reforms to promote competitiveness and economic growth as well as more and better jobs within the overriding 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 October 2005 the previous Government presented its reform programme for growth and employment 2005 to 2008 (The Swedish Reform Programme for Growth and Employment, Comm. 2005/06:23). In September 2006 there was a general election in Sweden. The election results meant a change in government. This report is the first annual progress report and presents the Government's revised Swedish Reform Programme for Growth and Jobs 2006 to 2008.

Communication to The Riksdag

One important aim in establishing national reform programmes was to involve the national parliaments and other national stakeholders more in the effort to implement the Lisbon strategy. The Government revised Swedish Reform Programme, like the previous Reform Programme

2005, was submitted to the Riksdag as a Government Communication at the same point of time as it was presented to the European Commission. The programme sets out the Government's priorities and policy initiatives for 2006 to 2008.

The Riksdag considered the Swedish Reform Programme in early 2006 (Report of the Parliamentary Committee on Industry and Trade 2005/20056:NU11) and discussed it in plenary session on 9 March 2006.

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 preparing the Swedish Reform Programme.. The main responsibility for the Programme lay within 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. Consultations with the social partners have taken place from the very beginning as part of the preparation of 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 contributed joint submissions to the report, presenting, among other things, results from negotiations on several issues.

The Swedish labour market is characterised by 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 public authorities. The social partners also have a central role in implementing EU directives and guidelines through arrangements in collective agreements.

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 within the interest of 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 national policies and the Government's actions.

Consultation with the civil society

During the autumn, consultations have taken place with organisations in the civil society. The consultations, with representatives from organisations and interest groups in society, aimed at generating a wide-ranging discussion on the implementation of the EU strategy for growth and employment in Sweden as well as on the organisations' work on Lisbon-related issues.

Implementation at regional and local levels

The responsibility for the implementation of regional development policy in Sweden is shared between national and regional levels. The counties' strategic instruments are the regional development programmes in which regional priorities for sustainable development from a broad perspective are identified. Priorities are implemented in part through regional growth programmes and Structural Fund Programmes.

To further develop the dialogue between the national, regional and local levels as well as the coordination of the regional development policy and the EU's cohesion policy, the previous government decided a national strategy for regional competitiveness and employment for 2007 to 2013. The strategy lays the groundwork for the implementation of the cohesion policy in Sweden and will serve as a guide for the regional development effort, which encompasses a number of regions and local programmes and processes.

A number of Swedish municipalities have, on a voluntary basis, launched a process to prepare local initiatives for growth and employment in line with the Integrated Guidelines and the Lisbon targets. The previous programme 2005 cited a local initiative in relation to the Lisbon strategy, one from Sörmland. Appendix 1 of the revised reform programme has a report of the ongoing work in these municipalities. The Government welcomes these initiatives and regards them as important contributions to a coherent and results-oriented implementation of the Lisbon strategy throughout the country, and hope it will serve as an inspiration for other regional and local actors.

Guide to this 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 guideline, the policy's aims as well as new or planned measures for the period 2006 to 2008 are reported.

Table 2. Comparison of structural indicators; Sweden and EU. 2005.

| Indicator | SE | EU15 | EU25 | Among 3 best | Among 3 worst |
|---|--------|--------|--------|--------------|---------------|
| GBP per capita ¹ | 114,4 | 108,3 | 100 | | |
| Labour productivity ² | 104,3 | 106,0 | 100 | | |
| Employment rate ³ , % | 72,5 | 65,2 | 63,8 | x | |
| males, % | 74,4 | 72,9 | 71,3 | | |
| females, % | 70,4 | 57,4 | 56,3 | x | |
| older workers ⁴ , % | 69,4 | 44,1 | 42,5 | x | |
| older males, % | 72,0 | 53,1 | 51,8 | x | |
| older females, % | 66,7 | 35,4 | 33,7 | x | |
| Long-term unemployed ⁵ , % | 1,2 | 3,3 | 3,9 | x | |
| Dispersion of regional employment rates ⁶ | 3,0 | 10,9 | 11,9 | x | |
| males | 2,8 | 7,9 | 9,7 | x | |
| females | 3,5 | 16,9 | 16,9 | x | |
| At-risk-of-poverty rate after social transfers ⁷ | 11 | 17 | 16 | x | |
| males | 10 | 15 | 15 | x | |
| females | 12 | 18 | 17 | | |
| Comparative price levels ⁸ | 120,6 | 103,7 | 100 | | x |
| Youth education attainment level ⁹ , % | 87,5 | 74,6 | 77,5 | | |
| males | 86,4 | 71,5 | 74,7 | | |
| females | 88,7 | 77,7 | 80,3 | | |
| Business investment ¹⁰ | 14,3 | 17,4 | 17,4 | | x |
| R&D expenditure ¹¹ , % | 3,7 | 1,92 | 1,86 | x | |
| Total greenhouse gas emissions ¹² | 96,4 | 99,1 | 92,7 | | |
| Energy intensity of the economy ¹³ | 217,52 | 187,48 | 204,89 | | |
| Freight transport ¹⁴ | 90,2 | 104,8 | 104,7 | | |

Source: Eurostat webb site, Structural Indicators, 21 November 2006

¹ GDP per capita in purchasing power standards (PPS).

² GDP in PPS per person employed.

³ Aged 15 to 64

⁴ Aged 55 to 64 år

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

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

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). For EU Eurostat estimate. 2004.

⁸ Preliminary.

⁹ Percentage of the population aged 20 to 24 having completed at least upper secondary school.

¹⁰ Gross fixed capital formation by the private sector as a percentage of GDP.

¹¹ Percentage of GDP. For EU Eurostat estimate. 2004.

¹² Indexed on actual base year (1990) = 100 (in CO₂-equivalents), 2004.

¹³ Gross inland consumption of energy divided by GDP, 2004.

¹⁴ Inland freight transport volume relative to GDP. Measured in tonne-km/GDP. For EU Eurostat estimate. 2004

2 Macro economic policy

The Government's policy will lay the foundation for sound, long-term economic development, create scope for increased welfare and give individuals and families greater power over their own daily lives. It is absolutely vital to meet the demographic challenge by maintaining long-term sustainable public finances. The surplus target for general government net lending will therefore be maintained. Every reform will be examined in light of what the economy can bear. The objective of fiscal policy should be to reduce the indebtedness of the government sector. This objective will be reached by maintaining a surplus in general government finances equivalent to 2 per cent of GDP on average over a business cycle.

The fiscal framework with a surplus target and expenditure ceiling is crucial for ensuring budgetary discipline and long-term economic stability. The Government intends to conduct a review and further develop fiscal policy to give it more transparency and clarity.

The inflation target plays a central role in ensuring that wage trends contribute to sound growth and full employment and the Government supports the direction of monetary policy.

An increased labour supply, increased employment and an increased number of hours worked in the business sector are essential both for promoting economic growth and meeting the demographic challenge, as well as for increasing the long-term sustainability of public finances. The key to safeguarding welfare in the long term is thus to overcome exclusion in the labour market and create more jobs and more enterprises. The Government is therefore presenting a broad programme for jobs and entrepreneurship. First, the Government is proposing reforms that make it more worthwhile to work. Second, the Government proposes a range of reforms to make it easier and less costly to take on new employees. Third, the Government proposes a range of measures to improve the climate for business in Sweden and make it more worthwhile to run a business.

2.1 Guideline 1 – Securing economic stability for sustainable growth

Sound public finances

Public finances in Sweden are sound and fully in line with the Stability and Growth Pact. The target of a surplus in government net lending averaging 2 per cent of GDP over a business cycle, as decided by the Riksdag, establishes the framework for fiscal policy. The surplus provides a stable foundation for meeting the challenges posed by the coming increase in the proportion of older people in the population and for conducting a countercyclical fiscal policy when necessary. According to the Budget Bill for 2007, the surplus from 2000 to 2005 averaged 1.9 per cent of GDP. It is estimated to rise to over 2.0 per cent of GDP in the next few years.

In the main, the fiscal framework with the surplus target and expenditure ceiling has been a positive experience and there are strong reasons to retain it in all essentials. At the same time experience with the framework in the decade or so that it has been in force shows that a review is necessary. It should be improved and further developed to give it more transparency and clarity. Not least, there have been increasing tendencies towards financing outside the expenditure ceilings, which has increased the risk of a gradual erosion of credibility. This has included expenditure financed by tax credits on the income side of the central government budget. The transparency of the expenditure ceiling and its function are important to the Government. As stated in the Budget Bill for 2007, the Government intends to come back to the Riksdag on this matter.

Table 3. Government net lending and expenditure ceiling

Per cent of GDP

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------------------------|------|------|------|------|------|------|------|------|------|------|
| Net lending | 5.0 | 2.6 | -0.5 | -0.2 | 1.6 | 2.8 | 2.8 | 2.3 | 2.6 | 3.1 |
| Expenditure ceiling ¹⁵ | 32.9 | 33.0 | 32.9 | 32.9 | 32.5 | 32.5 | 32.1 | 31.2 | 30.7 | 30.2 |

Source: Statistics Sweden, Ministry of Finance

Stable prices

Under the Sveriges Riksbank Act, which became law in 1999, the objective of monetary policy is to maintain price stability and monetary policy decisions are to be taken independently by the Executive Board of the Riksbank. There is a tolerance range of plus/minus 1 percentage point around the inflation rate target.

Table 4. Inflation and interest rate

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|------------------------------------|------|------|------|------|------|
| Inflation, CPI, Dec-Dec | 0.3 | 0.9 | 1.9 | 2.3 | 2.4 |
| Underlying inflation ¹⁶ | 1.6 | 0.7 | 1.2 | 1.5 | 1.7 |
| Key interest rate | 2.00 | 1.50 | 2.50 | 3.50 | 4.00 |
| Long-term interest rates | 3.90 | 3.38 | 4.00 | 4.20 | 4.35 |

Source: Statistics Sweden and the Riksbank, Ministry of Finance.

The Riksbank, in a clarification in May 2006, stated that monetary policy is also guided by various measures of underlying inflation. There is no single measure of inflation that consistently indicates the appropriate stance of monetary policy. Monetary policy acts with a lag

¹⁵ Adjusted for technical changes.

¹⁶ According to UND1X, December – December.

and is normally focused on achieving the inflation target within two years. The two year time horizon also provides scope for taking fluctuations in the real economy into consideration. The Riksbank also takes changes in asset prices and other financial variables into account in its monetary policy decisions and its forecasts are made under the assumption that the trend in the key repo rate will be in line with market expectations.

Inflationary pressure has gradually begun to rise from a very low level and is expected to be close to 2 per cent over the next few years. In June 2005 the Riksbank cut its key interest rate to a historically low 1.5 per cent but thereafter has successively raised it to 2.75 per cent.

2.2 Guideline 2 – Safeguarding economic and fiscal sustainability

The demand for welfare services will increase in the future owing to both demographic trends and rising incomes. The increased demand will exert pressure on publicly financed welfare systems.

To meet the increasing demand for welfare services in the long term, the surplus target for general government net lending must be upheld and reforms must be implemented to increase labour supply and employment. In addition, steps must be taken to improve the efficiency of the public sector. The Government believes that a discussion on how to meet increasing demand in the long-term within the framework of a welfare system that is basically publicly financed should start immediately.

Surplus in general government net lending and reduced debt

With a surplus equivalent to 2 per cent of GDP in general government net lending, general government net wealth rises. This puts Sweden in a better position to meet the increasing demand for welfare services, with a reasonable distribution of taxes and benefits between generations. A smaller central government debt also leads to less vulnerability to external changes and hence to increased confidence in the Swedish economy. The objective of fiscal policy should be to reduce the indebtedness of the public sector. This objective will be reached by maintaining a surplus in general government finances equivalent to 2 per cent of GDP on average over a business cycle. This will allow stable tax rates at a lower level than at present and will in turn favour growth and employment.

Table 5. Consolidated gross debt
Per cent of GDP

| | 200 | 200 | 200 | 200 | 200 |
|-------------------------|------|------|------|------|------|
| | 4 | 5 | 6 | 7 | 8 |
| Consolidated gross debt | 50.5 | 50.3 | 46.5 | 41.5 | 37.4 |

Source: Statistics Sweden and Ministry of Finance.

Financially sustainable welfare systems

The old age pension system is an important part of the welfare system. It was reformed in 1999 and is consequently financially stable and provides strong incentives to work. The Government's proposed reforms in the tax system, unemployment insurance and social insurance will also provide further incentives to work and will thus strengthen public finances.

The inquiry (dir 2004:129) appointed in 2004 to analyse social insurance arrangements presented its report in November 2006. The Government intends in the near future to appoint a cross-party inquiry into reforming social insurance.

Turnover in the general government sector is equivalent to about half the value of everything produced in Sweden in the course of a year. Economic policy therefore has a great responsibility to put every krona of taxes to effective and efficient use and thus strengthen public finances. Good management of the common resources is a matter both of combating overuse and fraud in the tax and social insurance systems and increasing efficiency in the public sector.

In order to increase efficiency and speed up the development of management and production forms in the production of welfare services in health care, social services and education, the Government intends during this electoral period to make changes aimed at increasing the diversity of actors in these areas. The Government also wants to reduce government bureaucracy; the number of government agencies should be reduced.

Vigorous measures to fight fraud and overuse

Overuse and fraud do occur in connection with benefits and allowances. In some parts of the benefits system, moreover, overuse and fraud are widespread. A fundamental prerequisite for maintaining public respect for welfare systems is that benefits and allowances are only paid to people who are entitled to them. In the long term, incorrect disbursements can also undermine the financial basis of the welfare systems. This, in turn, may lead to a need to lower the payment levels for various benefits or raise taxes. In light of this, it is vital both for the legitimacy and for the funding of Sweden's welfare systems that controls are increased and made more effective and that benefits and allowances that have wrongly been awarded are reclaimed. Work is already under way to reform the criminal law regulations and to review the regulations for requiring repayment of benefits and allowances, information exchange between government agencies and resources for control activities. The work to prevent social insurance fraud is being carried out by the Delegation on measures against incorrect payments from the social insurance systems (dir 2005:52). The Delegation will present its report on 1 July 2008. In addition, the Government has proposed measures in the following areas:

- An overhaul of the arrangements for the supervision of the social insurance administration will be initiated in autumn 2006. At present the supervisory function and the objects of supervision are in the same government agency.

- To make criminal investigations more effective, the Swedish Social Insurance Administration, the Swedish Prosecution Authority and the National Police Board have agreed to expand their cooperation. The Government intends to evaluate the outcome of their cooperation in 2007.
- More effectiveness in addressing repayment claims and interest on repayment claims.
- Strengthening incentives for controls. The Government intends to develop proposals for financial, organisational and other measures that can improve incentives for agencies to conduct control activities.
- Better internal governance and control in government agencies.
- Strengthened arrangements for questioning the right to unemployment benefits.
- Social security contributions will be reduced in certain service industries, some of which are particularly exposed to tax evasion and have a high incidence of undeclared labour.

Later in this electoral period, the Government will present measures to combat serious tax-related economic crime.

Work and growth

In spite of healthy growth and improvements in the labour market, exclusion remains a major problem. In 2005 over 17 per cent of the working age population (aged 20–64) was outside the labour force. According to the Swedish Labour Force Survey, unemployment among those aged 20–64 (including full-time students looking for work) came to 6.8 per cent of the labour force in 2005 (7.1 per cent of the men and 6.5 per cent of the women). Five and a half per cent of those employed were underemployed (3.8 per cent of the men and 7.5 per cent of the women). Another way to illustrate the problem is to look at the proportion of the working age population supported by social insurance systems and financial assistance. In 2005, the equivalent of just over 1 million people – over 21 per cent of the registered population aged 20–64 – were supported by social benefits. In 2006 over 12 per cent of the working age population is receiving benefits related to ill health (sickness benefit and rehabilitation cash benefit or activity and sickness compensation), nearly 8 per cent benefits related to employment and approximately 1.5 per cent financial assistance. The total proportion of the population receiving these types of benefits has been virtually constant since 1999. The distribution between different types of benefits, however, has shifted, mainly through a reduction in employment-related benefits and an increase in health-related benefits.

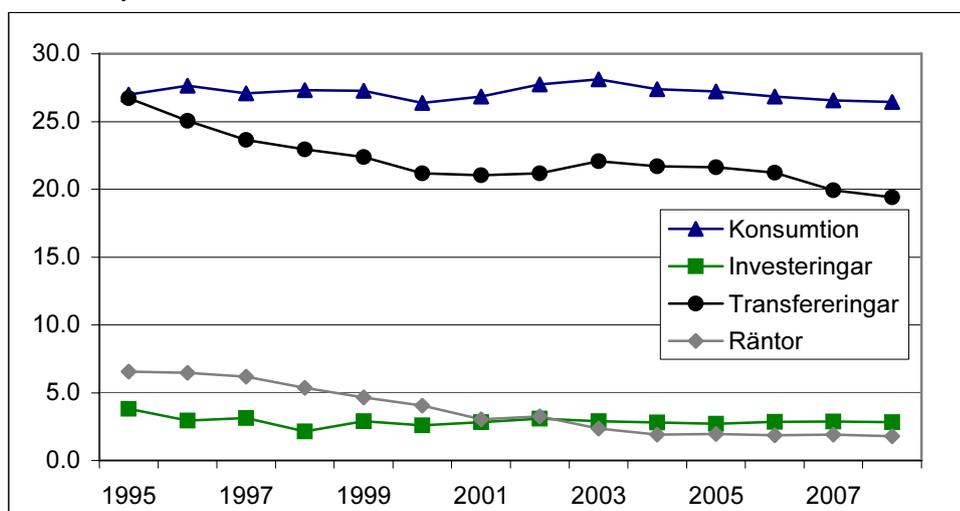
To overcome labour market exclusion, it is important to make better use of every potential labour force member's desire to work. Swedish labour market policy was previously ineffective and led to passivity. Now the quality is being raised and the number of people in measures is declining. The core of the Government's labour market policy is providing a stimulus to move more people into the labour market earlier and discourage more from leaving prematurely. It will be more

worthwhile to work and simpler to take on new employees (see Guidelines 17-23).

2.3 Guideline 3 – Promoting the efficient allocation of resources

Public expenditure as a percentage of GDP is expected to continue to decline slowly. It is primarily transfer payments and interest expenditures that are falling in proportion to GDP whereas consumption and investment are largely unchanged.

Figure 1: General government expenditure, 1995-2008
Per cent of GDP



Source: Statistics Sweden

Turnover in the general government sector is equivalent to about half the value of everything produced in Sweden in the course of a year. It is therefore important to shape economic policy so that common resources are used as efficiently as possible. By doing so, increased spending on high-priority public activities will be possible and there will be greater scope for lowering taxes to give a stimulus to more jobs and higher growth in the private sector. Good management of the common resources is a matter both of combating overuse and fraud in the tax and benefit systems and increasing efficiency in the public sector. The Government proposes a range of measures to reduce fraud and overuse in the tax and social benefit systems (see Guidelines 2 and 21). The Government also proposes to close a number of government agencies and review the entire government agency structure with the aim of reducing government bureaucracy. The Government also intends to propose changes aimed at increasing the diversity of actors in health care, education and social services. This can be a means of increasing efficiency and speeding up the development of management and production systems.

A tax policy for employment and entrepreneurship

In the tax area the Government is taking a range of measures to improve the conditions for growth. Both general and targeted measures are being taken. The measures include both direct and indirect taxes on work aimed at providing a stimulus to make the labour markets more functional, as well as corporate taxes and taxes on capital to promote the formation of new companies and facilitate the expansion of SMEs in particular.

- On 1 January 2007 the first step will be taken to lower the income tax on work. A tax reduction on wages and business income will be introduced to improve the economic incentives to work. Both the average tax and the marginal tax on earned income will be lowered. The reduction is designed to give a stronger incentive to work, particularly for the unemployed and those aged 65 or older. The Government plans to take other steps to reform the income tax in 2008.
- To stimulate the services sector, a tax reduction will be introduced on 1 July 2007 for household-related services. In addition to increasing employment in this sector, the measure aims to move parts of the informal sector into the formal economy. Further stimuli to the service sector by lowering social contributions for certain kinds of employment are expected to come into effect in 2008.
- To make it more attractive to employ young workers and keep or take on older workers, reductions in social contributions for employees aged 19-24 will be introduced 1 January 2007 and the special employer's contribution will be abolished for those aged 65 or older.
- To improve the availability of risk capital in the economy, the wealth tax on financial assets will be halved on 1 January 2007. The Government intends to do away with the wealth tax on real and financial assets entirely during this electoral period.
- The regulations on how owners of close companies have to divide their income between income from services and income from capital will be reformed. Pending a broader review, changes in the regulations giving more incentive to take on more employees and make the sale of a business easier will be introduced in 2007.

2.4 Guideline 4 – Ensuring that wage developments contribute to macroeconomic stability and growth.

Since the early 1990s, Sweden's relative unit labour cost has decreased (measured in terms of both national and common currency). In the Government's opinion, the Swedish Industrial Agreement (the 1997 Agreement on Industrial Development and Wage Formation) and the high credibility of the Riksbank's inflation target have a normative effect on wage formation, which, along with relatively low resource utilisation in the labour market, lessens the risk of excessively high negotiated wage increases.

During the next few years wages are estimated to grow at a pace that is consistent with trends in productivity and inflation in the long term.

Wage developments will thus contribute to a sound macroeconomic situation.

The main responsibility for wage formation in Sweden lies with the social partners in the labour market. In 2000 the state-run National Mediation Office was established. Its task is to promote an efficient wage formation process without labour market conflicts. The evaluation of the National Mediation Office's activities from 2000 to 2004, based on its goal of a wage formation in overall macroeconomic balance and with industrial peace, was concluded in April 2006 and is currently being considered in the Ministry of Industry, Employment and Communications.

In the Budget Bill for 2007 the Government has proposed a range of measures aimed at giving a stimulus to the labour supply. In this way the risk of wage and inflation driving bottlenecks in the labour market is reduced. Among other things, a special job tax deduction will be introduced from 1 January 2007. The Government is also proposing a range of measures to make labour market policy more effective and the number of people in labour market policy programmes will be slashed. Labour market policy resources must have a clear focus on matching jobseekers and job vacancies (see Guidelines 17-19).

2.5 Guideline 5 – Promoting greater coherence between macroeconomic, structural and employment policies

Economic policy is to lay the groundwork for sound long-term economic development and creates scope for greater prosperity. Policies for work and growth must take a broad approach and have a long-term orientation. The different parts of the economy are interconnected and reforms in one area have a greater impact if reforms are implemented in other areas at the same time. A policy for work and growth is thus not a matter of isolated measures but of concurrent measures in several different areas.

The Government's strategy is that sound public finances and stable prices in combination with a policy promoting high employment, a good business climate with well-functioning markets, and good adaptability create the conditions needed to meet the challenges posed by an ageing population and continued stiff international competition.

A broad policy approach for sound public finances and stable prices...

One important objective of fiscal policy is to ensure that the general government finances are on a sustainable course so that the long-term development of welfare is secure. By maintaining sound public finances, fiscal policy lays the foundation for sustainable high growth and full employment. To achieve sound long-term public finances, there are two budget policy targets: the surplus target for general government net lending and the expenditure ceiling for central government. From 2000 when the surplus target was introduced up to and including 2006, general government net lending is estimated to average 2.0 per cent of GDP. For 2007 to 2009, it is estimated that the average will exceed 2 per cent of

GDP. Thus the surplus target will be met. The central government expenditure ceiling system was introduced in 1997 and since its introduction the target has been met every year.

However, there have been increasing tendencies towards financing outside the expenditure ceilings, which has increased the risk of a gradual erosion of credibility. This has included expenditure financed by tax credits on the income side of the central government budget. The transparency of the expenditure ceiling and its function are important to the Government. In the Budget Bill for 2007, the Government has therefore taken further steps towards clarity and transparency by reducing these credits. The Government also intends to present a review of the fiscal framework in the 2007 Spring Fiscal Policy Bill.

Stable prices are also a prerequisite for an economic policy of high growth and full employment. The overriding task of monetary policy, as defined by the Riksdag, is price stability. On this basis the Riksbank conducts monetary policy independently and has established an inflation target.

... worthwhile to work and to take on new employees...

An increased labour supply, increased employment and an increased number of hours worked in the business sector are essential both for promoting economic growth and for increasing the long-term sustainability of public finances and thereby having the means to meet demographic developments. More employment and less unemployment are also important elements of a policy aimed at reducing exclusion and securing good welfare for all.

To increase the labour supply and employment and reduce unemployment, the Government has proposed measures to make it pay to work, to make it worthwhile to take on new employees and to increase the effectiveness of labour market policies. Among other things, introducing a job tax deduction, highlighting the work-first principle in unemployment insurance and ensuring that the sickness insurance provides an incentive and an opportunity to return to work will make it pay to work. It will be more worthwhile for companies to take on employees, one reason being changes to the tax system. To make labour market policy more effective, the Government is proposing to curtail the policy's reach both with respect to the number of persons and the number of different programmes, to make the priority given to matching jobseekers and job vacancies clearer and to increase competition in the employment services.

... good business climate...

Increased international competition and the continuing modernisation of the regulatory frameworks, both in the EU and in Sweden, have opened up markets previously shielded from competition. These developments make it simpler for companies to find new markets. They also promote economic growth. At the same time, it is important in an increasingly integrated world economy to continue to improve the business climate in

order to maintain a strong position for business. Not least, it is important to improve conditions for smaller companies.

The Government has proposed a range of measures that will improve conditions for business. The aim of the proposals is to make it more worthwhile to take on employees and run a company, give companies more access to capital and reduce companies' administrative costs. Changes to the tax system make it more worthwhile to run a company, take on new employees and help improve access to capital. Regulations will be simplified. The Government is also proposing to reduce state ownership. The sale of public enterprises also creates better conditions for these companies to grow and make positive contributions to growth in employment. For business to be internationally competitive, the infrastructure must also function effectively.

... and good adaptability

Global competition in combination with technological development will put the Swedish economy's adaptability to the test. Restructuring in the economy is both a natural and a necessary prerequisite in order to have a competitive business sector and continued growth in Sweden. In order for the adjustment to go as smoothly as possible and not lead to long periods of exclusion, labour must be able to move from stagnating to expanding parts of the economy. Unemployment insurance will play the leading role in enabling individuals to adjust to new circumstances without suffering large losses of income, but other social support systems will also have a role. At the same time it is important that there is good mobility in the labour market – between different occupations, industries and regions. Therefore it is of great importance that unemployment insurance, labour market policy, housing policy and education policy are designed to facilitate mobility. Labour market policy can and will serve to oil the wheels of the labour market. It will help enable people to move as speedily as possible from one job to another. The Government has proposed a number of measures to make labour market policy more effective. The tax system must also help ensure that it pays to take a new job and/or acquire new qualifications that increase the chances of obtaining work.

2.6 Guideline 6

See guidelines 1 to 5

3 Micro economic policy

Sweden's ambition is to become one of the best countries in the world in which to start and running a business. Starting a business will come naturally for young and old people, for men and women and for everyone regardless of ethnic background. Sweden's competitive advantage in a globalised economy is to produce knowledge-intensive goods and services. A better business climate is required to promote this; it must be more worthwhile and less complicated to be an entrepreneur. For employment to increase and social exclusion to diminish, it must also become simpler and less costly to take on new employees. The planned structural reforms in the labour market have the same objective.

A reinforced policy for competitiveness and innovation

It is of great importance to the Government that Sweden be an innovative, entrepreneurial country with a clear strategy for competitiveness in a globalised world. It is the Government's intention to take a number of measures to increase Sweden's competitiveness.

A well developed innovation policy is needed, providing better conditions for investment and innovation. The growth potential of the entire country must be fully utilised so that people can start enterprises, which can create jobs and grow wherever they are. However, there are signs that Sweden's position in research has weakened and that public funding for research and post-graduate education at academic institutions has diminished. There is a noticeable trend towards diminishing funding for R&D in the business sector. The Swedish system for innovations still has a weak ability to transfer results of high-quality research to patents in new and growing businesses. It is the Government's view that a comprehensive, long-term policy is required in order to safeguard the high quality of Swedish research and to ensure that this research results in enterprises and jobs to a greater extent. It is vital for Sweden's growth and prosperity to maintain a high standard of education and research. The Government intends during this electoral period to take action to strengthen Swedish research.

Better conditions for running businesses

The Government is planning a range of measures to improve the climate for business in Sweden and make it more worthwhile to run a business. Additional reforms of the taxation of closely held companies, i.e., how owners of closely held companies may divide their income between labour income and income from capital, may be mentioned here. The Government intends to abolish the wealth tax and proposes, as a first step, to halve the tax on financial assets. Intensified work on better regulation has begun. There will be at least a 25 per cent reduction in the regulatory burden on enterprises by 2010.

In its Progress Report, January 2006, the European Commission emphasises that it is important for Sweden to take additional measures to promote competition in the services sector and improve efficiency in the public services. The Government intends to take more measures in this area. The Government considers it important to lower employers' social security contributions in certain service industries. The Government will make further proposals for a tax reduction on private individuals' purchases of domestic services, which should be able to enter into force in 2007. Employers' responsibility for sick pay after the second week will be abolished. This is a positive step for labour-intensive enterprises, for example, in the services sector. The Government further proposes measures to increase entrepreneurship among women. The Government wants to encourage a diversity of actors to provide welfare services in order to facilitate entrepreneurship in the services sector. Opportunities for entrepreneurship will be opened up in health care, social services, and education, i.e., sectors in which many women entrepreneurs are already active.

Environment and energy

The key development in environmental issues in recent decades has been the shift from a national focus to a transboundary regional or global perspective. This implies limits for national policies, but also opens the way to influencing the formulation of international agreements and acting globally. A proactive policy combined with a good climate for business and research is conducive to development and innovation and improves the prospects for technological advances and a better environment. The climate issue and the marine environment are priorities for the Government.

Energy policy will serve to promote efficient energy use and a cost-effective energy supply system that meets high standards for protection of health, the environment and the climate. A good supply of electric power and other energy is a fundamental prerequisite for our modern society. If Swedish industry is to remain competitive, it requires a good supply of energy at internationally competitive prices. This presupposes stable rules to make long-term investment possible.

Energy policy must support individuals and enterprises that take their responsibility for the environment. Environmental and energy taxes are important instruments to this end. The introduction of new, environmentally friendly alternatives is to be encouraged. Within given parameters, the choice between different forms of energy production will be governed by the decisions made by energy producers and energy users. Electricity certificates are a policy instrument to accelerate the changeover to environmentally friendly energy production.

3.1 Guidelines 7 & 8 – Increasing and improving investment in research and development and facilitating all forms of innovation

The aim of research and innovation policy is to make Sweden a leading knowledge and research nation characterised by scientific excellence and a high capacity for product renewal. Total investment in R&D in Sweden equalled 3.74 per cent of GDP in 2004, i.e., surpassing the Lisbon strategy target of 3 per cent. Sweden has world-class research in many areas. However, there are signs that Sweden's position in research has weakened. State resources for academic research and postgraduate studies have been diminishing for a number of years. In the business community R&D has been heavily concentrated in a few large international companies. Therefore if Sweden is to remain competitive, it is important that the central government assume more responsibility for financing research. In the next four years the Government intends to implement a range of measures to strengthen Swedish research.

At the same time it must be ensured that research will more often lead to entrepreneurship and job opportunities. Sweden therefore needs to be better at transforming the results of publicly financed research into new enterprises and to make them available to the business sector in other ways, especially to SMEs.

Research is an investment in a future welfare

During 2005 and 2006 proposals from the bill adopted by the Government and the Riksdag – Research for a better life (Government Bill 2004/05:80) have been implemented. This bill provides an increase of SEK 2.34 billion in government funding for research and postgraduate education for 2005 to 2008. Research in those areas given priority in the bill – medicine, technology and research for sustainable development – has been reinforced. The government agencies financing research have also been able to provide long-term financing to prominent research and innovation environments that are very internationally competitive. In 2006 twenty top-quality dynamic research environments have been selected from among their competitors in various academic disciplines and subjects, for example, nanoscience, stem cells, environment, climate and demographic studies. These environments are to share SEK 3 billion over 10 years. Fifteen excellent research and innovation environments with relevance to business have likewise been selected from such sectors as telecommunications and IT services, biotechnology and product development. The central government is allocating a total of SEK 2 billion over ten years as co-financing with industry. The Government intends to continue this activity.

The Government is proposing an additional SEK 900 million for research and postgraduate education in the next three years over and above the amount specified in the research bill. Of this amount, SEK 200 million is intended for 2007. The Government intends to eliminate the VAT on the external research grants of academic institutions. This means an increase in resources for research at universities and colleges of about

SEK 350 million annually. In addition the Government intends to study the issue of a tax deduction for donations to research. The aim is to increase the possibilities of financing research with private capital.

Technology transfer and increased commercialisation

Public research in the Swedish innovation system is undertaken mainly by the universities. Measures to promote greater use of research results by society are being implemented:

- Resources have been set aside to promote new public-private partnerships in six key industry sectors of special importance. For this purpose, strategic development programmes have been designed in the course of a dialogue between the Government and government agencies, industry and employee organisations (see also Guideline 10). The central government is contributing SEK 200 million a year from 2006 to 2010 for strategic development programmes co-financed with the business community.
- The Government wants to further improve academic institutions' ability to commercialise research results through holding companies. The Government has appointed a negotiator to recommend a more effective structure for holding companies and a reinforced capital base. The findings are under consideration by the Government.
- The Industrial Research Institutes are an important link between the university, colleges and the business community. Their task is to look after the needs of SMEs in particular and this role will be strengthened. In 2007 the Government will increase basic financing of the institutes by SEK 45 million in order to strengthen their competence and thus make it easier for industry, especially SMEs, to get access to research results.

Measures supporting the protection of intellectual property

Intellectual property rights are a high priority for the Government. There must be support for innovation and creativity. A significant part of innovations and other intellectual achievements lead to the establishment of new companies and the creation of more jobs but the Government believes that more can be done in this field. The protection of intellectual property is a prerequisite for investment in innovation and creativity. The Government is taking several measures to strengthen legal protection and thus pave the way to increased employment and growth.

Pending a solution at the EU level the Government is examining the possibility of introducing property protection insurance at the national level for patents in order to strengthen small companies' chances of asserting their rights under patent law.

The possibility of getting a qualified assessment in court cases on intellectual property is most important for the business sector. These court cases require special skills. Trials of all civil and criminal intellectual property cases should therefore be concentrated to one court in order to create an even more effective and more specialised court system than that which exists today. A proposal will be made in 2007.

In 2007, the Government will propose to Parliament that Sweden join two international patent conventions, the revised European Patent Convention (EPC 2000) and the Patent Law Treaty (PLT). These measures will improve the possibilities of companies to protect inventions in Sweden and internationally and give additional stimulus to investments in research and technology transfers.

The current Trade Mark Act has to be modernised. Thus the Government intends to propose a new Trade Mark Act in 2007. The aim of the new Act is inter alia to improve the procedure for the registration of trademarks and the cancellation of trademark registrations. This will reduce the administrative burden on companies.

A commission of inquiry looking into the significance of patents for the growth of companies presented its proposals in December 2005. The commission's proposals include the introduction of advantageous loans in connection with patent applications and a review of the role of the Swedish Patent and Registration Office in view of the ongoing internationalisation of this area. The proposals are now under consideration by the Government.

In order to make the patent system even more attractive, the Government in the summer of 2006 decided to reduce the fee for patent applications so that it will not be regarded as an obstacle, particularly by individual inventors or small enterprises.

Biotechnology is a very important area, where Sweden is at the cutting edge. A committee of inquiry has been appointed with the task of reviewing the development of practice, the effects of patent and research in the area of biotechnology. As one of its tasks, the committee is to assess the need for special measures in order to make patented techniques and research in the area of health care more readily available. The committee is to report its findings no later than 1 March 2008.

Copyright has become more important with the emergence of the information society. 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 purpose of copyright is to provide effective protection to authors in order to promote creativity, but copyright must be balanced against important public and private user interests. In August 2006, a committee of inquiry was appointed with the task of examining how the development of consumer-friendly legal alternatives for access to music and films on the Internet could be accelerated. The committee is to report its findings by 1 May 2007.

3.2 Guideline 9 – Facilitating the spread and effective use of information and communications technology

The goal of the Swedish IT policy is that Sweden should be a sustainable information society for all. To achieve this goal, three sub-goals have been established: quality, sustainable growth and accessibility (Government Bill 2004/05:175)

Access to a modern IT infrastructure is crucial if enterprises are to grow and thereby create new jobs and growth in the whole country. The IT infrastructure is also an important factor in the development of public

services and citizens' opportunities to make use of such services. The Government intends to elaborate the issue of a clearer and longer-term IT policy founded on distinct roles for public actors in a later stage.

Quality

On 1 January 2006, a new government agency, the Swedish Administrative Development Agency (Verva), was established. The agency is to work on developing public administration in Sweden. A main role is the development of an electronic administration. The agency shall also coordinate the IT infrastructure in central government agencies. It is also to work for cooperation between government agencies, between the central government and the municipalities, between government agencies and the business community.

To make management in the central government more effective and improve service to citizens and companies, a new strategy for electronic management has been decided. The strategy contains targets for handling electronic messages and electronic purchasing processes and public procurement. A corresponding coordination of electronic management also takes place in the municipalities and county councils, in the Swedish Association of Local Authorities and Regions. Together with the Swedish Administrative Development Agency and National Financial Management Authority and others, organisations have worked for a uniform IT infrastructure for the public sector.

Greater coordination and joint use of the agencies' IT investments will reduce total costs and make the agencies' cooperation easier. An Inquiry Chair has been appointed who is to assess and if necessary propose improvements in the forms for coordination of the development of standards in the IT area (dir. 2006:36). The Government has given the Chair supplementary directives to further analyse IT standardisation for a coherent e-management for electronic public procurement and open source software, covering both the central government and the municipalities and county councils.

Sustainable growth

The Swedish National Agency for School Improvement has been instructed to promote development and use of information technology in preschools, schools and adult education. It is to report annually on this subject and make a final report with recommendations for possible measures by 1 July 2009.

The Swedish Business Development Agency has been instructed to examine both the opportunities and the conditions for increasing telework in sparsely populated areas by means of an office hotel.

In 2006 a three-year programme aimed at stimulating more use of e-identification was initiated. By supporting government agencies' demand for electronic identification (eID) in a market, these agencies are given the opportunity to develop electronic services that enable them to improve management efficiency.

In 2006 the National Post and Telecom Agency was asked to conduct a mentoring project called Womentor in order to increase the number of women in higher management in the IT sector. In addition one of the technical colleges has been asked to analyse the causes of the skewed gender distribution in the IT sector and draw up recommendations for measures that should be implemented by various actors to promote gender equality in the sector.

Availability

Work has continued within the framework for Sweden's efforts to expand its IT-infrastructure with high transfer capacity in sparsely populated areas by 'broadband support'. To be able to complete projects under way within the framework satisfactorily, its completion date is being extended one year to include 2007. The National Post and Telecom Agency has been asked to identify barriers to the establishment of such an infrastructure and, when called for, propose or take measures.

The ability to detect and handle Internet disruptions must improve. The National Post and Telecom Agency has been asked to draw up proposals for a national centre for handling IT disruptions.

3.3 Guideline 10 – Strengthening the competitive advantages of the industrial base

An innovative and competitive industry

Sweden needs a new policy to meet stiffer international competition and create more enterprises and more jobs. Sweden's industry is internationally competitive with leading companies in a number of areas. Companies' investments are increasingly internationally mobile and are being increasingly located in regions and countries providing the overall best conditions. Companies are exposed to ever stiffer competition no matter whether they work in export or domestic markets. For companies to be able to adapt to increased competitive pressure, they must always be developing new products, services and production methods. The availability of qualified staff with the right skills is a key issue for the business community. Strong innovation environments attract foreign investment and international expertise. Alongside such environments there need to be special development programmes to support an innovative and competitive industrial sector.

Strategic development programs for Swedish industry

In work during the year on improving Sweden's competitiveness, strategic development work has been carried out in cooperation with representatives from the business community and employees' organisations as well as research institutes and public agencies. The result has been a strategy programme for six business sectors:

automotive, metallurgy, life sciences and biotechnology, IT/telecom, forestry and aerospace.

The representatives have given priority to measures in the following areas: needs-motivated R&D, skills provision, cooperation and dialogue with the business community, test and demonstration projects, export and investment promotion and business development. The emphasis in these measures is on R&D programmes in cooperation with the business community. Some of the R&D programmes are also to contribute to increase Sweden's participation in EU Framework Programmes.

In spring 2006 the work entered a new phase when measures in the strategy programmes began to be implemented. The business community has shown considerable interest in the work during the design and implementation of the programmes. The Government intends to continue the cooperation now under way. However, there will be a review of the aims of the cooperation.

Regional competitiveness

Sweden's total national growth depends on growth created locally and regionally. Competitive regions are a prerequisite for a competitive Sweden. The regional development policy is aimed at creating growth, sustainable development and a good level of service in all parts of the country. The role of the policy is to create the conditions for regional growth and competitiveness and to foresee and prevent structural problems.

On 29 June 2006, the previous government decided a national strategy for regional competitiveness and employment for 2007 to 2013. The strategy is indicative of the regional development work, and is Sweden's national strategic frame of reference for implementing the EU Structural Funds. The strategy identifies four national priorities all of which are well in line with Sweden's Reform Programme for Growth and Jobs. Growth is created on the local and the regional levels by people in enterprises. The central Government's most important role is to create good conditions for sustainable regional development. It is to encourage cooperation, but also competition, as important propellants to the emergence of creative environments and dynamic regions. To strengthen regional competitiveness, extensive work with programmes and processes is being carried out at the local and regional levels, for example, in the regional growth programmes and the EU Structural Funds.

In the national strategy for rural areas and the recently decided national programme for rural areas for 2007 to 2013 (see also Guideline 11) also contain measures important for regional development and competitiveness.

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

The Government attaches high importance to ensuring sustainable development. The institutions of the market economy, financial policy instruments, research and new technology are important tools in advancing sustainable development. The Government's ambition is to break the link between economic growth and increased use of energy and raw materials. The environmental challenges are an economic lever and decisive for vigorous development in Sweden.

The Government intends to strengthen the work on sustainable development and in that connection is appointing an inquiry on sustainable development. This inquiry will review what needs to be done in the way of streamlining and modernising organisation, regulations and policy instruments to facilitate the work towards a sustainable society and create environment-driven growth and to steer clear of social impediments to good initiatives from individuals and business.

Sustainable energy

The Government's energy policy must create a clear, stable and long-term regulatory framework for the production and distribution of energy and for efficient energy use. A regulatory framework of this kind must give incentives to invest in an energy transition that will promote a secure and competitive energy supply throughout Sweden. Energy policy must also serve to promote efficient energy use and a cost-effective energy supply system that meets high standards for protection of health, the environment and the climate.

In June 2006 the Riksdag decided on guidelines for future long-term energy policy measures on research, development, demonstration and commercialisation in the energy area (Govt. Bill 2005/06:127, Research and New Technology for Future Energy Systems) The decision provides a long-term basis for activities and an allocation of over SEK 800 million annually is planned for the purpose. The Government believes that the level of ambition for transforming research results into marketable products and services should be raised.

The Government intends to present proposals later on an allocation of SEK 1 billion for climate-related energy research and investment subsidies. The aim of these proposals will be to create growth, new jobs and environmental benefits in Sweden.

It is important to ensure good competitive conditions in the energy market. As a step towards promoting keener competition at the national level, the Government will appoint an inquiry with instructions to look into the possibility of reducing co-ownership of Swedish nuclear power stations.

During the electoral period 2006–2010, the Government will not promote any political decisions on phasing out nuclear reactors. Nor will the Government grant renewed operating licences to the two reactors that have been closed. The prohibition against building new reactors will not

be repealed during this electoral period. Requests to increase capacity will be considered under current law and the necessary permission will be granted if and when the stipulated requirements have been fulfilled.

Renewable energy sources

In June 2006 the Riksdag decided on an expansion of the electricity certificate system, which means that a certain proportion of electricity consumption by consumers must be obtained from renewable sources. (Govt. Bill 2005/06:154 Renewable Energy with a Green Certificate. The system will be extended to 2030 and the target for the production of renewable electricity will be raised to 17 TWh up to 2016. This corresponds to about 12 per cent of total electricity consumption. In the 2007 Budget Bill the Government proposes a change in the law that means that small-scale hydroelectric power plants will continue to be eligible for a green electricity certificate after 2012.

The investment stimulus for energy and environmental investments in public premises introduced in 2005 has been extended and will remain in effect until 31 December 2008. A total of SEK 2 billion has been allocated for the subsidy.

In June 2006 the Riksdag passed a bill that established aims for the work on wind power and wind power production for the coming five years (Govt. Bill 2005/2006:143 Environmentally Friendly Electricity with Wind Power - Measures for Its Sustainable Use). The property tax on wind turbines will be lowered and an additional SEK 350 million will be allocated for supporting the market introduction of wind power. Limited-time special financial support for municipalities that are actively planning to accelerate the expansion of wind power will be introduced.

Increased energy efficiency

The Government believes that the incentives for energy efficiency offered both households and industry should be reviewed. Energy efficiency in existing housing could be considerably improved. The Government's aim is to make it possible to break the link between economic growth and increased use of energy and raw materials, in part by promoting energy efficiency.

The Government has proposed freezing the taxable values of properties beginning 1 January 2007. Under this proposal, energy saving improvements will not raise the property tax. The aim is that the state real property tax for small houses and block of flats will be abolished and replaced with a low municipality fee related to real property.

In June 2006 the Riksdag passed a Government Bill that contains proposals on how more effective energy use can lead to a reduced energy need (Govt. Bill 2005/06: 145 A National Programme for Energy Efficiency and Energy-Smart Construction). The programme contains a new goal for energy efficiency for housing and public premises. The implementation of directive 2002/91/EC of the European Parliament and the Council on the energy performance of buildings was approved in the same bill. A system of energy declarations for buildings is being

introduced in stages, beginning 1 October 2006. Energy declarations provide information on buildings' energy performance and proposals for cost-effective measures are submitted.

Sustainable transport

It is the Government's view that that the transport sector must become more environmentally compatible. The Government intends to come back with proposals on introducing a premium to encourage private persons to switch to green cars in order to give an incentive to fuel-efficient cars and vehicles with environmentally friendly fuel. A review of the environmental classification of vehicles and fuels will be carried out and the environmental requirements for public transport procurement will be made more stringent. Vehicles purchased by public procurement will as a rule be green cars.

Sweden's indicative target for the introduction of biofuel in accordance with the EC Directive on the promotion of the use of biofuels or other renewable fuels for transport purposes has been set at 5.75 per cent for 2010 (Govt. Bill 2005/06:16 Obligation to Supply Renewable Fuels).

Grants will be available for investment in filling stations for biogas or other renewable fuels. For 2006 and 2007 SEK 150 million has been allocated for this purpose.

Beginning in 2006 at least 75 per cent of the cars purchased or leased by government agencies must be green cars. The definition of green cars will be revised regularly.

Environmental technology

The Government is of the opinion that environmental challenges should be used as an economic lever. Green technology will be in demand when there are changeovers in energy and transport systems. There will be a great need for technology having a minimal impact on the environment and it will lead to growing export opportunities for environmental technology. In April 2006 Sweden submitted a national plan for the implementation of the EU Environmental Technologies Action Plan (ETAP).

In 2006 SEK 35 million has been allocated to export and other programmes, especially in the areas of renewable energy and sustainable urbanisation.

The Swedish Research Council for Environment, Agricultural Sciences and Spatial Planning (Formas) and the Agency for Innovation Systems (VINNOVA) have been instructed to work out a strategy for research in environmental technology.

In June 2006 the Swedish Government entered an agreement with California on cooperation on renewable fuels and energy.

Effective policy instruments

The Government has decided to discontinue the green tax shift since the environmental benefits and employment effects, in the form it has been

given to date, have been limited. Work on developing effective policy instruments will, however, continue, both in tax policy and in other areas. Environmental and energy taxes must therefore be designed so that it pays to take environmental responsibility.

In October 2006 the Swedish Environmental Protection Agency and the Swedish Energy Agency reported an inventory of financial policy instruments in the environmental area that can form the basis for a future evaluation.

State aid to climate investment has been extended to 2008. Just over SEK 490 million has been allocated for 2007. Estimated state aid in 2008 is just over SEK 390 million.

In the 2007 Budget Bill the Government has proposed an allocation of SEK 24.2 million for 2007 to 2009 to strengthen the drive for environmental compatibility in public procurement in line with the next three-year action plan.

The Government believes that the public sector should take the lead by setting environmental standards for public procurement in order to promote technological development. The final report of the Procurement Inquiry, New Procurement Rules 2 (SOU 2006:28), proposes introducing a provision whereby the procuring unit must set environmental and social specifications in keeping with the nature of the procurement. At present this step is voluntary. The Government is currently considering the report.

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

To increase recycling the tax on landfill dumping was raised from SEK 370 per ton to SEK 435 per ton on 1 January 2006. A tax on fossil coal in household waste used for heating was introduced on 1 July 2006. The aim of the tax on waste incineration is to increase recycling and thus help reduce carbon dioxide emissions.

Environmental development assistance

The Government believes that environmental measures must be given more emphasis so that growth and development will be sustainable. Within the framework of development assistance appropriations, measures are being taken in areas where Sweden and Swedish business are well positioned to make valuable contributions to development in partner countries. These measures will contribute to growth in both the partner countries and Sweden. The Government intends to give environmental and energy issues more emphasis in development cooperation and plans to come back to the issue of how to strengthen Swedish environmental development assistance.

Biodiversity, growth and employment

In November 2005 the Riksdag decided to adopt a new environmental quality objective for the conservation and sustainable use of biodiversity. The purpose of the objective is to protect the habitat of various species

and ensure that the functions and processes of the ecosystems are in balance so that they can continue to be productive and provide goods and services.

The Government has decided a national program for rural areas for 2007 to 2013. An average of more than SEK 5 billion a year will be allocated for this programme. The programme has a high environmental ambition focusing on measures that contribute to national environmental quality objectives linked to agriculture and the natural and cultural values of the landscape. Sustainable food production, rural employment, consideration of regional circumstances and sustainable growth are also part of the objectives of the programme

3.5 Guideline 12 – Extending and deepening the internal market

Developing an efficient internal market involves work towards an open trade on equal terms, the abolition of trade restrictions, free competition and better regulation in the interest of enterprises and consumers. A well-functioning trade is a prerequisite for high growth and full employment. Without a well-functioning internal market, economic growth may weaken and turn negative since the opportunities for export growth provided by the internal market and the downward pressure on prices created by increased supply and competition contribute importantly to growth. Sweden continues to meet the objective on the implementation of directives. In July 2006, Sweden's implementation deficit was 1.4 per cent. Implementing directives has a high priority.

Focus on application, enforcement and implementation

Under the Financial Services Action Plan, Sweden implemented the following Directives in 2006: On financial conglomerates (2002/87/EC), on insurance mediation (2002/92/EC), on institutions for occupational retirement provision (2003/41/EC) and on the reorganisation and winding-up of insurance undertakings (2001/17/EC). Furthermore, a proposal for the implementation of new capital adequacy rules in the Directives 2006/48/EC and 2006/49/EC has been referred to the Council on Legislation. In the summer of 2006, a Ministry Communication about information requirements in listed companies (Ds 2006:6) was circulated for consultation. The Communication contains proposals on how the Directive 2004/109/EC could be transposed into Swedish law. Two reports (SOU 2006:50 and 74) on the implementation of the Directive on markets in financial instruments (2004/39/EC) were circulated for consultation in the summer of 2006.

During the negotiations on the Services Directive an analysis of the effects of the directive took place. A new constitutional review will be made in connection with the final adoption of the Services Directive. The review will be part of the national implementation of the Directive. The Government has also initiated discussions about the future organisation of the implementation in order to prepare for it.

On January 1, 2006 the ordinance on market control of goods (2005:895) came into effect. The aim of the ordinance is to clarify what is meant by market control. It also clarifies the tasks of the responsible government agencies and gives the Market Surveillance Council a stronger role. The Council consists of representatives of the market control authorities, the National Board of Trade and the Swedish Customs Service and functions as a national coordination body for issues concerning market control.

The Committee of Inquiry on Testing and Control (UD 2005:6) is currently reviewing the open system for testing and technical control. The Committee is to evaluate the use of open systems and propose improvements. The remit of the Committee also includes investigating what support open systems can provide for mutual recognition of non-harmonised legislation. The Committee is to present its report by the end of 2006. The survey of mutual recognition and trade restrictions presented in October 2006 by the Swedish Trade Council will be followed up by the Government Offices. The aim will be to get a more complete picture of where effectivisation is needed and how it should be accomplished.

3.6 Guideline 13 – Ensuring open and competitive markets inside and outside Europe

An open and external trade together with open and well-functioning markets, which stimulate and are open to new ideas, enterprises and products are a precondition for economic growth and jobs. An open European trade policy and a well-functioning internal market are central prerequisites for increased competitiveness and growth in Sweden as well as in Europe. Well-functioning competition benefits consumers in terms of lower prices, higher quality and the emergence of new goods and services. The Government intends to introduce further measures for strengthening competition in various Swedish markets at a later stage.

The Swedish Government is also active at the international level in order to influence EC law and to ensure that Sweden meets the agreements and commitments in the area of competition made vis-à-vis the EU and third countries. Counteracting the creation of barriers to market access and ensuring competition on equal terms have been important tasks, both nationally and internationally.

A well-functioning competition also requires a restrictive attitude towards state aid to companies. The state aid applied by Sweden is mostly horizontal and concerns measures in areas such as the environment and energy, smaller companies, R&D and regional support to sparsely populated areas.

Open and well-functioning markets

Sweden has been one of the first countries to open up for competition in most liberalised markets. Electricity, telecoms, postal services, domestic air traffic, taxis, railroad traffic and financial services are examples of

such markets. Work to improve the functioning of the markets is ongoing. In order to learn from experience and to be able to make rules, supervisory authorities more effective and markets more efficient, it is important to follow up and evaluate the liberalisations made.

A well thought out regulatory reform for an industry unleashes creativity and stimulates competition, contributing to the development of the companies and sectors concerned. Conversion of business activities conducted by authorities into companies and privatisation of government-owned companies can, in many instances, contribute to a more efficient competition in the context of deregulation or reregulation. The Government intends to conduct a review of government business activities conducted by authorities or companies and reduce government ownership in companies. Sales of state-owned companies will be undertaken with great concern for the taxpayers' money.

The Government intends to pursue the measures required to create functional rules for reformed markets and to abolish barriers to access by new actors in areas where competition is weak and in markets closed to competition. It is important that the authorities' structure and supervision are effective in markets where the regulations have been recently reformed or where there are special circumstances. The Government intends to pursue forcefully measures to initiate further deregulation and reductions of barriers to access, to expose the public sector to competition and to ensure that there is competition on equal terms between the public and private sectors.

The issue of competition on equal terms between the public and private sectors is extremely important. The Swedish Competition Authority has observed that the public sector conducts business activities in a way that hampers the development and creation of new businesses. To ensure that measures taken in this area are appropriate and well balanced, it is important that the basis for decisions is up to date, relevant and as comprehensive as possible. When the Riksdag addressed the issue (Committee Report 2004/05:NU16, Riksdag Communication 2004/05:297), a number of measures aimed at improving the competition between private and public actors were proposed. The issue was also addressed by the Riksdag in the spring of 2006 (Committee Report 2005/06:NU 16). It is important to take measures to solve the problems and improve competition between private and public actors. The Government intends to appoint an inquiry chair as part of this work.

The Nordic Countries, the Baltic States and Poland have adopted a joint action plan for the years 2005 to 2007. Its purpose is to increase exchange of information and trade in the construction sector, improve the common market among the countries around the Baltic and contribute to a reduction of housing costs through lower prices on building materials. The Nordic Council et al participates in the financing. According to the action plan, each country will carry out five projects in the areas of exchange of information about rules, good examples, evaluation of competence requirements in the construction sector, and research and development.

Strengthening competition law and its implementation

The measures in the area of competition focus on creating effective competition rules and an effective competition authority and on creating open and efficient markets, which do not prevent the entry of new actors. The Competition Board's implementation of the Competition Act is one of the most important competition policy tools.

A number of measures have been taken to strengthen the Competition Act and its implementation. In September 2004 the previous government appointed an inquiry with a remit to review how practice in accordance with the Competition Act could be made more effective and efficient. On 6 April 2006 the inquiry chair was given supplementary terms of reference with instructions to propose regulations that more clearly state that heavy fines will be imposed in particularly serious cases. The Chair will present the final report to the Government at the end of November 2006. The Competition Board's implementation of the Act is most important and the Board should continue to put strong emphasis on combating cartels. It is also important for the Board to punish private and public companies abusing their dominant position in the market.

In 2006 the Competition Board took 472 decisions under the Competition Act and under articles 81 and 82 of the EC Treaty, decided two commitments, and initiated legal proceedings in the Stockholm City Court. In addition the Board took 86 decisions on mergers. In 2005, several judgments were issued in cases concerning anti-competitive collusion and abuse of dominant position in which the Competition Board was one of the parties. The Stockholm City Court issued a judgment in a case concerning the Competition Act. The City Court also made decisions in two matters concerning whether a fine should be attached to a commitment. In December 2005, the oral preparations were started in the asphalt case, the biggest cartel case in Sweden to date. The Swedish Market Court made decisions in five cases in which the Competition Board was a party. The Market Court's judgment in February 2005 meant that a number of petroleum companies had to pay fines of SEK 112 million for breaking the Competition Act. The main proceedings in the biggest cartel case so far in Sweden, the so called asphalt case, commenced in September 2006.

Public procurement

The Government will continue working on the correct implementation of the EG-directives on public procurement and procurement in the Utilities Sectors. The Government plans to submit a bill to the Riksdag in autumn 2007. Work on a national action plan for electronic procurement continues. The Swedish Administrative Development Agency, charged by the previous government, has made a proposal for an action plan. The action plan was presented in late 2005 and is now under consideration by the Government Offices.

The Committee of Inquiry on New Procurement Rules (SOU 2006:28) has carried out a general review of the rules concerning procurement below the threshold values and the procurement of B-services and will examine the opportunities for introducing a preclusion time limit in order

to reduce the scope for appeal, with a view to creating a more efficient procurement process and simplifying these rules. The Committee presented its report in March 2006. The report has been circulated for comment. A Government Bill will be submitted to the Riksdag no earlier than the autumn of 2007 (see Guideline 11).

The Swedish Business Development Agency and the Agency for Innovation Systems, in consultation with the National Board for Public Procurement, were charged with reviewing how procurement can be designed to promote technical development and business opportunities. The report was presented on 16 October 2006.

Benchmarking in the public sector

In 2002, the Government appointed a Committee with the task of creating and running a municipal database. In December 2005, the Committee presented its report Comparisons – Management and follow-up by key indicators in municipalities and county councils (SOU 2005:110). The Committee proposes a nation-wide benchmarking project to be carried out by the Central Government and the Swedish Association of Local Authorities and Regions. The purpose is to improve the quality and productivity in municipal activities by means of benchmarking.

After the Committee had completed its work, formal cooperation was initiated in 2006 between the Central Government and the Swedish Association of Local Authorities and Regions in order to continue work on the municipal database. This was reported in the Budget Bill for 2006.

In September 2006, the Government and representatives for the Swedish Association of Municipalities and Regions signed an agreement to carry out a benchmarking project covering municipalities and county councils in 2007-2009 (dnr Fi2006/255). The Government has allocated funds for financing the project in the Budget Bill for 2007.

3.7 Guideline 14 – Creating a more competitive business environment and encouraging private initiatives through simplified regulation

Easier to run a business

The Government intends to implement a number of measures to accelerate the improvement of regulations and substantially reduce the administrative burden on business. The Swedish tradition of consultation with the actors concerned in the regulatory process is a prerequisite for effective work on better regulation. Before the Government takes a position on the recommendation of a committee of inquiry, its report is referred to the relevant bodies, special interest groups, local authorities and other bodies whose activities may be affected by the proposal (Chapter 7, Article 2 of the Instrument of Government. The rule is that such referral shall be in writing and the relevant bodies shall have at least three months notice to reply. In this context the consultation stipulated in

the ordinance (1982:668) about government agencies' collection of information from entrepreneurs and municipalities could be mentioned.

The Government intends to reduce the administrative costs of the totality of central government rules by 25 per cent in four years. An action plan is under preparation. The results of measuring the administrative burden of rules and laws in the regulatory areas of taxes, environment, agriculture, labour market, food, planning, construction and statistics will be used as a basis for the reduction of the administrative costs of enterprises by 25 per cent. Measuring will be completed in 2007. The Government also wants to simplify the rules in the Environment Code and the Plan and Building Act. The Government intends to establish a public body for a limited time to review all new laws and regulations that concern business in order to ensure that no regulations are introduced that are not designed so as to fill their purpose in the simplest possible way.

The work on simplifying tax regulation will continue. A committee of inquiry has been appointed (dir 2005:129) with the remit to propose reformed rules for procedures in the area of direct and indirect taxes. This forms part of the work to meet the target in the area of taxation of a 20 per cent reduction of businesses' administrative burden by 2010. Development of the work on impact analyses will continue. The Government Offices are currently working on a new ordinance on impact studies. The ordinance is expected to enter into force in July 2007.

The Government intends to review the issue of a new legal form of enterprise with a simple set of regulations including the share capital requirement. The Government has the objective of simpler business regulation in other respects as well. A measure already implemented by the previous government is the recently decided simplification of accounting laws. The work on further simplification in this area will continue. The Government also intends to investigate the need for mandatory auditing of small enterprises with a view to abolishing this requirement for certain small enterprises.

A new Companies Act entered into force on 1 January 2006. One of the guiding principles for this reform is to provide Swedish companies with a flexible and competitive legal framework. The new Act needs to be followed up and supplemented in a number of ways. In spring 2006 the Ministry of Justice circulated a memorandum with proposals for such supplements. One issue here is increasing the flexibility for companies with respect to their use of certain financial instruments. The proposals are expected to enter into force 1 July 2007.

New rules about submission of electronic documents to the Swedish Companies Registration Office entered into force on 1 July 2006. The new rules mean that limited liability companies may send in notifications of registration, applications and annual reports electronically. The possibility of electronic annual reports has also been introduced. As of 1 July 2006 it is possible to register limited liability companies and file annual reports via the Internet. Electronic communication of the same kind is planned for other legal forms of business entities, such as cooperative societies and partnerships.

3.8 Guideline 15 – Promoting a more entrepreneurial culture and creating a supportive environment for SMEs

The Government wants to create stable conditions for growth with a business climate that supports entrepreneurship and growth. In Sweden the proportion of the population earning a living as entrepreneurs is low compared with other countries. The number of start-up businesses in Sweden increased between 2004 and 2005, although it remains low by international standards. In order to safeguard employment and welfare, Sweden needs more new enterprises and more growing enterprises. The Government wants to see many different forms of enterprise. Whether an enterprise is run as a cooperative, a sole proprietorship, a partnership or a limited liability company, the individual entrepreneur will encounter facilitative regulations and a good business climate. It is also important to broaden the business base by making good use of natural environments and culture and cultural heritage in the development of innovative environments.

Increasing access to finance

Access to risk capital is of crucial importance to small businesses. In order to stimulate access to finance, the Government has proposed in the 2007 Budget Bill that the possibilities for deferment of capital gains tax on sales of shares in close companies, if the capital gains are reinvested in unlisted companies, should be investigated. Giving private individuals the opportunity to make deductions for risk capital when investing in companies owned by themselves or by closely related persons may be one way of further increasing the access to capital.

The Government also wants to change the rules with respect to priority rights in order to make it easier for enterprises to get bank loans. Even though a well-functioning private capital formation and well-functioning capital markets are the most important factors in providing finance to the business sector, there may be a role for the state with respect to investments at an early stage. A state guarantee for loans, particularly to SMEs having limited access to collateral and lacking a long credit record, could improve efficiency in the economy even if the credit market functions well otherwise. Furthermore, experience shows that credit guarantees can have great significance in increasing women's entrepreneurship. Against this background, the Government intends to investigate the feasibility of a system of state guarantees for SMEs.

A tax system promoting entrepreneurship

The Government is proposing a number of measures to improve Sweden's business climate and make it more worthwhile to take on more employees.

- The Government intends to make a broad review of the regulatory framework governing how owners of close companies may split their income between labour income and capital income. The aim is to

stimulate entrepreneurship and growth by regulatory simplification. Pending such a review, the Government has already made a number of proposals in this direction, such as increasing the standard amount in the so called simplification rule.

- In order to increase employment and make it more worthwhile to take on more employees, the Government has announced reductions in the employers' contributions and the national insurance contributions for people between 19 and 24 years of age and abolishment of the special employer's contribution for people who are 65 years of age or more. At the same time, new start jobs will be introduced, meaning that a subsidy equal to the employer's contribution will be given to employers who hire people who have not been working for more than a year (see also Guidelines 17 and 19).
- The Government has announced a system of reduced employers' and national insurance contributions for certain kinds of employment in the services sector, which will come into effect in 2008.
- A tax reduction for household-related services will be introduced. A detailed proposal will be presented in spring 2007 with the ambition to introduce the reform on 1 July 2007.
- It is the Government's view that the wealth tax should be phased out during this electoral period, which would inter alia improve the business sector's access to risk capital. As a first step, the tax rate will be halved from 1.5 to 0.75 per cent on entrepreneurial capital, i.e. financial assets, from 2007.

Promoting SMEs

Simplifying the registration of enterprises is important in order to promote the creation of new businesses. The average time for handling this process is currently more than two weeks. Work is now under way to attain the goal of a registration period for new businesses of a maximum of seven working days. It is expected that electronic registration will contribute to attaining this goal (see Guideline 14).

In the Budget Bill for 2007, the Government announced that the administrative costs to enterprises generated by state regulations will be reduced by 25 per cent to the end of 2010 (see Guideline 14).

In Sweden, fewer women than men run businesses and women are still in a clear minority in leading positions in both small and large companies. For this reason, the Government intends to redouble its efforts to encourage entrepreneurship among women, for example, through business advice, and to increase knowledge about women's entrepreneurship. In the Budget Bill, the Government proposed allocating SEK 100 million in 2007 for this purpose.

A national program for encouraging entrepreneurship was launched in 2005 with a budget of SEK 130 million through 2007. There has been considerable interest in this programme. Funding has been granted to some 80 projects. The programme contributes to positive attitudes towards entrepreneurship. The Swedish Business Development Agency's entrepreneurship barometer shows that the attitudes towards entrepreneurship among young people have become somewhat more

positive in the past year. The percentage of young people who would consider becoming an entrepreneur has increased to 76 per cent, an increase by five percentage points compared with 2003.

The three-year programme “Design as a Force for Development 2003-2005”, which was mentioned in the reform programme 2005, has now been completed and evaluated. In short, it can be noted that the programme was worthwhile, both for the companies and the Government. The evaluation showed that the result in the form of increased turnover in the participating companies has been substantial. Turnover increases amounted to between SEK 0.5 and 0.75 billion. The project contributed to 150 new jobs.

The 2006 support programme for research and development in SMEs attracted great interest. Up to now, applications have totalled seventeen times the funds allocated for this year. So far, 166 companies have been granted a total of SEK 154 billion.

An inquiry chair was commissioned in 2006 to review the social security systems for entrepreneurs. The regulatory framework is to facilitate the transition from employment to entrepreneurship for those who want to start a business. Thus, an important basis for the chair is the need to create a balance in the social security systems between employers and employees. One of the chair’s tasks is to review unemployment and sickness insurances. The chair is to report its findings in spring 2007.

In June 2006, a one-person inquiry was appointed charged with surveying the extent of the problem with overdue payments and long terms of payment and proposing measures to solve the problems. The inquiry is to report its findings no later than 1 July 2007.

In Sweden, taking on new staff requires contacts with two agencies. Open positions should be reported to the Public Employment Service and registration as employer must be made to the Tax Authority. The objective, according to the conclusions of the European Council in March 2006, of only requiring one public administration point for recruitment is an issue that the Government Offices will give further consideration.

3.9 Guideline 16 – Expanding and linking up the European infrastructure

Sweden is a country with large geographical distances. It thus has high transport costs. With more trade and contacts with the rest of the world, transport both in Sweden and to other countries takes on even greater importance. Efficient, safe and appropriately priced transport and logistics systems are therefore an important prerequisite for Swedish business and its ability to compete with the rest of the world.

The Government will be working to find new solutions for financing the infrastructure. Public-private partnerships are an alternative form of financing investment in roads and railways which means that the state gives the private sector the task of financing, building and managing a road or railway. In Sweden, the Arlanda Express is the only infrastructure development done as a public-private partnership. In other

countries various forms of this type of cooperation have been tried. It is a more common method of financing in Norway and Finland.

The Government will introduce a long-term planning process for road and railway measures. Socio-economic analyses will play an important part in deciding priorities for investment in infrastructure. Compared with the plans adopted by the previous Government, this means that more of the investments will occur in the roads sector. In addition to new investment, it is important to improve upkeep of existing roads and rails so that investments already made are not jeopardised.

A seven-month trial with congestion tax has been conducted in Stockholm to manage traffic volumes and create greater accessibility during busy parts of the day. A charge was levied when a vehicle entered and left the designated zone (Stockholm inner city). Preliminary results show that vehicle traffic entering the city fell by about 22 per cent during this period. The Government's has appointed a negotiator to find a comprehensive solution for the Stockholm region. The negotiator is examining the possibilities of finding a solution to the issue of congestion tax and fees that is acceptable to the whole region and the possibilities of letting the taxes and fees become part of the financing of a comprehensive solution to traffic in the Stockholm region.

4 Employment policy

The Government's most important task is to implement measures that lead to higher employment and lower unemployment and reduce exclusion in the labour market. There are many people who are willing and able to work but do not have a job. Too many people of working age are not in the labour market or work less than they would like. Everyone's willingness to work must be put to good advantage.

A high level of labour market participation among the working age population and a large number of hours worked in the economy are prerequisites for meeting demographic developments and ensuring sound public finances and thereby the Swedish model of a comprehensive welfare state. The core of the Government's labour market policy is to create the conditions in which more people move into the labour market earlier, more people of working age have jobs and fewer leave prematurely. It will be more worthwhile to work and simpler to take on new employees.

Sweden needs well-educated labour to create growth and prosperity. An education of high quality at all levels is a prerequisite for meeting the need for adjustment and renewal in an increasingly integrated and globalised world. It also lays the groundwork for future research and development.

The Commission in its progress report in January 2006 made a number of points on the implementation of employment policy in Sweden. In its summing up the Commission states that the strength of the reform programme is the measures adopted and introduced to reduce unemployment, including the strengthened labour force policy. However, the Commission thinks additional measures should be taken to increase the labour supply, not least measures to keep a high proportion of older workers in the labour force. In the 2007 Budget Bill the Government presents a broad package of measures to encourage the supply of labour over the life cycle. It contains measures to make work pay, to make it easier for young people to enter the labour market, to create equal conditions and opportunities for women and men to participate in working life, to encourage a longer working life, and to reduce absences due to illness.

The Commission also argues that Sweden should create a better balance between incentives and benefit levels in the tax and benefit systems, especially with respect to high unemployment traps and inactivity traps and high tax wedges. The Government's policy aims at making the labour market more inclusive and raising employment over the long term. Measures will be implemented to further reduce the marginal effects of the tax, transfer and benefit systems by means of tax reductions for low- and middle-income earners in combination with reforms in the benefit systems.

The Commission concedes that Sweden has achieved some success with measures for reducing absences due to illness and the influx to sickness and activity compensation, but points out that more attention

should be given to the group already drawing such compensation. The aim of the Government's policy is to get those on sick leave back to work. The work-first principle in sickness insurance is to be reinforced and there will be more active rehabilitation to promote a return to work.

The Commission also believes that Sweden should take additional measures respecting skills development in the work place and participation in lifelong learning by the less well educated. The Government thus intends to explore new ways of stimulating individuals and employers to invest in lifelong learning. The Government also intends to take measures for further strengthening and developing the effectiveness of the Swedish education system.

The Government will pursue an active renewal policy that provides all parts of the country with the opportunity to grow and develop by their own efforts. The following sections describe the Government's employment policy.

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

The aim of the Government's employment policy is to increase the labour supply and employment and to combat exclusion. The policy is well in line with the overarching objectives of the European Employment Strategy: Full employment, higher quality and productivity at work and strengthened social and territorial cohesion. The guidelines on employment are about attracting and retaining more people in the labour market; increasing the labour supply and modernising social security systems; improving the adaptability of workers and enterprises; and increasing investments in human capital through better education and skills. Separate guidelines (Guidelines 18 to 24) describe in more detail the various measures adopted in Sweden to achieve the overarching objectives in line with the priorities set at EU level.

Targets of the European Employment Strategy and the outcome for Sweden

The targets and benchmarks below are an agreed part of the 2003 European Employment Strategy. For 2005 Sweden had already reached all but one of these at the national level.

The target that every unemployed person is offered a new start before reaching six months of unemployment in the case of young people and twelve months in the case of adults in the form of training, retraining, work practice, a job or other employability measure, combined where appropriate with ongoing job search assistance:

In 2005 12.2 per cent of adult men and 9.6 per cent of adult women had not received a new start. For young men, the proportion was 5.1 per cent and for young women 3.7 per cent.¹⁷

¹⁷ National Labour Market Board.

The target that by 2010, 25 per cent of the long-term unemployed should participate in an active measure in the form of training, retraining, work practice or other employability measure, with the aim of achieving the average of the three most advanced Member States:

In 2005 a total of 62.1 per cent of the men and 60.4 per cent of the women participated in an active measure of some kind.¹⁸

The target that jobseekers throughout the EU are able to consult all job vacancies advertised through Member States' employment services:

All vacancies in Sweden were advertised through the EURES system in 2005.

The target at EU level of an increase of five years in the effective average exit age from the labour market by 2010 (compared with 59.9 in 2001):

The effective average exit age from the labour market was 62.8 years in 2004, compared with 61.8 years in 2001, an increase of 1.0 years.

The target to provide childcare by 2010 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 old:

In 2005 a total of 84.0 per cent of all children aged 1 to 5 (75.3 per cent of all children from 1 to 3 and 96.4 per cent of all children between 4 and 5) were enrolled in a preschool or family day care home.¹⁹

The target of an EU average rate of no more than 10 per cent of early school leavers:

In 2005, 7.9 per cent of young women and 9.3 per cent of young men aged 18 to 24 had completed compulsory education (ISCED level 2) or less and were no longer in education.

The target that at least 85 per cent of 22-year-olds in the EU will have completed upper secondary education by 2010:

A total of 89.0 per cent of 22-year-old women and 86.6 per cent of 22-year-old men had completed upper secondary education in 2005.

The target that the EU average level of participation in lifelong learning should be at least 12.5 per cent of the adult working-age population (the group aged 25 to 64):

In 2005, the proportion of men and women aged 25–64 who had participated in some form of education in the previous four weeks was 29.9 per cent and 39.7 per cent respectively.

Putting Sweden to work

Increasing employment by attracting more people into the labour force and combating exclusion are the biggest challenges facing economic policy. A large number of people of working age are not in the labour market or work less than they would like. In total this concerns over a million people.

¹⁸ National Labour Market Board.

¹⁹ National Agency for Education.

The labour market situation improved in Sweden in 2005 and this improvement has continued during 2006. The percentage of people in regular employment increased from 77.0 per cent in 2004 to 77.4 per cent in 2005 and progress has continued to be good during 2006.

However, there has been little reduction in total unemployment so far, partially because of an increased labour supply. The Government's latest forecast shows open unemployment at 5.6 per cent and total unemployment at 8.7 per cent, and regular employment at 77.7 per cent in 2006.

In 2005 a change was made to the Swedish Labour Force Survey to bring it into closer conformity with other EU statistical surveys. As a result of this change, open unemployment under the national definition increased by about 0.4 percentage points. This means that the number of unemployed in 2005 remained largely unchanged compared with 2004. The Government intends to begin work on adjusting Swedish statistics so that they are comparable with other EU countries.

Table 6. EU employment target and outcome for Sweden, 2005

Per cent

| | Total | Men | Women | Older workers 55–64 |
|------------------------------|-------|------|-------|------------------------|
| Employment rate, 15–64 years | 72.3 | 74.3 | 70.2 | 69.5 |
| EU target 2010 | 70.0 | | 60.0 | 50.0 |

Source: Eurostat.

Table 7. National employment and unemployment 2005

Per cent

| | Total | Men | Women | Young People 16–24 | | |
|--|------------------|------------------|------------------|--------------------|-------------------|-------------------|
| | | | | Total | Men | Women |
| Regular employment rate ²⁰ , 20–64 years | 77.4 | | | | | |
| Unemployment, 16–64 years | 6.0 | 6.2 | 5.7 | 14.3 | 15.9 | 12.7 |
| Unemployment (ILO definition) | 7.8 ^P | 7.9 ^P | 7.7 ^P | 22.6 ^P | 23.0 ^P | 22.1 ^P |

Source: Statistics Sweden and Eurostat. P=preliminary information.

GDP growth, which earlier was largely driven by a strong export demand and high productivity, now comes to a greater extent from domestic consumption. At the same time the improved situation in the labour market contributes to increased optimism among households, which itself stimulates consumption. This increases the chances for a further rise in the demand for labour. A range of indicators also points to this. For

²⁰ Regular employment covers the age group 20–64. Everyone in that age group who is employed according to the Swedish Labour Force Survey is considered regularly employed, except for participants in the labour market programmes, sabbatical years, bonus jobs, jobs for recent graduates, educational leave replacement positions, recruitment incentives and start-up incentives (these are otherwise considered to be in employment). The number of regularly employed is divided by the number of people aged 20–64: in 2005 the percentage was 77.4.

example, the number of new vacancies at public employment offices has increased throughout 2005 and 2006 and is now at a very good level.

The demand for labour is especially large in the construction sector and the private services sector. This has contributed to stronger employment growth for men in the past year since more men than women work in these sectors. However, unemployment is still higher among men than among women: 6.2 and 5.7 per cent respectively in 2005. Measured using the international definition, the preliminary figures were 7.9 per cent and 7.7 per cent respectively.

A new labour market policy

A well-functioning labour market and labour market policy are essential to ensure that unemployed people are able to get back to work quickly. The Government wants to create the conditions needed for the labour market to function and meet the needs of both the individual and business. Too many people of working age are currently not in the labour market. If tomorrow's challenges are to be met, more people need to join the labour market and more people need to have more work. Therefore everyone's willingness to work must be put to good advantage and exclusion overcome. The labour market policy will therefore be changed and have a clearer focus on jobs and effective measures for those most detached from the labour market. The work-first principle will be highlighted so that greater resources can be secured for matching jobseekers and job vacancies.

Unemployment insurance affects the way the labour market works. Generous insurance for a short or normal period of unemployment can oil the wheels of the labour market, promoting increased flexibility by giving more people the courage to try out new occupations. If the period of compensation drags out, over-generous insurance coverage can reduce people's chances of finding a new job. Therefore unemployment insurance is being reformed to enhance its role as adjustment insurance so that it makes a greater contribution to increasing employment. Work must always pay better than unemployment. The restructuring of labour market policy also means major changes both for the composition and the extent of the labour market policy programmes. New demand-stimulating measures are being introduced at the same time that many of the existing measures are being terminated and the number of participants in labour market policy programmes is being sharply reduced (see Guideline 19).

Productivity and quality in work

In the past decade, productivity trends in the Swedish business sector have been favourable. Important structural reforms in the 1990s, increased use of information and communications technology, improved competition and an internationalisation of Swedish business help account for these trends. However, after productivity in the business sector increased by 3.9 per cent in 2004, productivity growth slowed to 2.4 per cent in 2005 when economic growth was driven by an increase in the

number of hours worked. The forecast for 2006 is for productivity growth of 3.6 per cent. For 2006 to 2015 the National Institute of Economic Research expects annual average productivity growth in the business sector of 2.7 per cent.

High quality in work contributes to higher productivity, better competitiveness and growth. Quality in work is a complex concept spanning a large area. The concept includes areas such as health and safety and conditions for professional development.

There has been a reversal in the trend to more work-related ill-health. The number of work-related illnesses continues to decline and has fallen by about one third in three years. The number of reported accidents at work continued to decrease in 2005. The number of deaths from accidents at work remains at a low level but has increased somewhat in 2005. In 2005 sixty-one men and six women lost their lives. Accidents in connection with the clearance after the severe storm that hit Sweden during the year accounted for most of the increase.

When ill-health occurs, a functioning rehabilitation and the opportunity to return to work as soon as possible must be provided. Administrative changes have been made to social insurance in connection with the establishment of the Swedish Social Insurance Agency. Measures will be taken for a more active rehabilitation process (see Guideline 18).

A work organisation in which employees have a good opportunity to participate and develop based on individual circumstances is important. Sweden ranks in a comparatively high position for on-the-job skills development. In 2005 33.5 per cent of the total labour force aged 25 to 64 participated in some form of staff training.²¹ Development in the area is largely a matter for the social partners. The Government is considering exploring new ways to stimulate individuals and employers to invest in lifelong learning.

Social cohesion

Within the framework of the open method of coordination, the Member States have cooperated since 2000 on matters concerning combating poverty and social exclusion and working for sustainable and stable pensions and sustainable and accessible health care and elderly care.

In light of this cooperation, Member States are to draw up national strategy reports for social protection and inclusion. On 15 September 2006 the previous government presented the Swedish report. Employment is of major importance, especially for achieving the goal of greater social inclusion. Social inclusion contributes, in turn, to an increased labour supply and more employment. The Government will return at a later stage to the matter of how the report will be handled.

Territorial cohesion

The overall objectives for Swedish regional development policy are well-functioning and sustainable local labour market regions with a

²¹ The EU *Labour Force Survey*

satisfactory level of service in all parts of the country. Even though the regional conditions for development vary considerably in Sweden, the regional differences in living standards are small from a European perspective. However, developments in recent years show that the differences between regions are increasing and Sweden's future challenge in this area is to create the conditions for all regions to be able to exploit their potential for sustainable growth.

There are substantial regional differences in the employment rate in Sweden. In recent years Jönköping County has had the highest employment rate and Norrbotten County the lowest. In 2005 the employment rate in Jönköping County was about 80 per cent and in Norrbotten County about 70 per cent. The difference in the employment rate between these two counties increased by two percentage points between 2003 and 2004 but shrank by six percentage points between 2004 and 2005.

EU cohesion policy and its instruments interact with Sweden's national regional development policy. Within the framework of the EC Structural Funds and the Swedish regional growth programmes – which have the aim of coordinating efforts in those areas where sectoral cooperation contributes to the development of sustainable local labour market regions from a business perspective – measures to provide labour and develop skills are being taken. These measures include promotion of learning centres, cooperation between various government agencies and organisations – for example, county labour boards, county councils, universities and colleges and others – referring to skills availability and changes in work organisation. The central government has co-financed 46 per cent of the total financing for the regional growth programmes, including 20 per cent of the county labour boards. Within the EC Structural Funds Programme, the European Regional Development Fund provided partial financing for programmes worth about SEK 2.4 billion in 2005 and the European Social Fund provided partial financing for programmes worth about SEK 3.2 billion.

In June 2006 the previous government decided a national strategy for regional competitiveness and employment covering 2007 to 2013. The strategy will lay the groundwork for the implementation of the EC Structural Funds in Sweden and will serve as a guide for regional growth programmes and national government agencies. The Government intends to return with its views on priorities and guidelines in the national strategy.

The social partners' contribution:

Under Growing Power Objective 3, investment in human capital was the most substantial part of the entire programme. The focus above all has been on skills development for employed persons by work-related learning. Over a million workers have participated in activities in this area during the programme period. Training programmes to strengthen groups with a weak footing in the labour market have also been important features of the programme. The partners' strong ambition to combine greater flexibility in the labour market with greater employability by job rotation had, however, only a marginal impact.

4.2 Guideline 18 – Promoting a lifecycle approach to work

In international rankings, labour force participation in Sweden is high, not least by women and older men and women. The trend also points to a further rise in employment among older workers. At the same time, exclusion from the labour market is widespread. The number of people drawing sickness or activity compensation continued to increase in 2005. As of 2006, however, the increase has halted as a result of the decrease in the number of people being awarded sickness and activity compensation. Today over 12 per cent of the population aged 20 to 64 receives compensation related to ill-health. The Government is therefore making measures to increase the labour supply over the life cycle a priority, measures to make work pay. Special efforts are also needed to make it easier for young people to enter the labour market, to create equal conditions and opportunities for women and men to participate in working life and to be able to combine family life with working life, to encourage a longer working life, and to reduce absences due to illness.

In the Government's opinion, there should also be considerable interest by the social partners in working jointly for possible adjustments in accordance with an individual's particular needs, for example, working hours and work assignments. Such a lifecycle-oriented approach to work should be very important in increasing participation in working life overall and preventing people from becoming prematurely exhausted.

Measures for young people

Open unemployment among young people between the ages of 16 and 24 came to 69 900 in 2005 according to the Swedish Labour Force Survey. Of these, 44 per cent were women and 56 per cent were men. In addition 106 000 young people were latent jobseekers, 50 200 of whom were full-time students. According to statistics from Eurostat, harmonised unemployment among young people (aged 15–24) was 22.6 per cent in 2005. This means that the youth unemployment rate in Sweden is one of the highest in Western Europe.

Even though the number of young people openly unemployed is high, many young people are quick to find work or begin an education. Therefore unemployment among young people is often of short duration. According to the National Labour Market Board (AMS), the median time young people aged 18 to 24 were openly unemployed was 35 days in 2005.

The Government's wide-ranging jobs programme opens new doors for young people to assert themselves in the labour market. In the 2007 Budget Bill the Government proposes:

- So called "New start jobs" will be introduced from 1 January 2007; a subsidy corresponding to the employers' social contributions will be credited to the employers' tax account. Young people between the ages of 20 and 24 qualify for new start jobs for a maximum of one year after they have been unemployed or in a programme. The aim is

to increase the opportunities available for those most detached from the labour market to get work (see also Guideline 19).

- Social security contributions for young people between the ages of 19 and 24 will be reduced. The aim of the proposal is to make it easier for young people to enter the labour market. There is no special requirement regarding unemployment. This reduction can be combined with new start jobs. The Government intends to return to the Riksdag with a proposal that could come into effect beginning 1 July 2007.
- Young people should be offered a personal coach and an individual action plan as early as possible or within thirty days after registration.
- A job guarantee for young people under 25 will be introduced in 2007. The job guarantee can include training and internships. The job guarantee will replace municipal youth programmes and the youth guarantee.
- In 2005 and 2006 AMS has conducted a project ‘On Track for a Job’ (‘Vägen in i arbetslivet’ VIA) in cooperation with 9 folk high schools in various parts of the country. The project’s target group is unemployed young people between 20 and 29 years old. The courses include internships, studies and other individual measures that improve the individual’s chances of finding work or continuing on to vocationally oriented studies.

Measures for Young People in line with the European Youth Pact

The European Youth Pact was adopted by the European Council in March 2005. Its aim is to further young people’s opportunities to get a good education and a job, to study, to take an internship and work abroad, to participate in society, and to be better able to combine working and family life. The European Youth Pact involves integrating a youth perspective with those areas in the Lisbon strategy that have a bearing on young people and fostering coordination between measures directed at young people.

Both the 2006 Spring Fiscal Policy Bill and the 2007 Budget Bill contain far-reaching measures for young people. Measures are being taken in the areas prioritised in the European Youth Pact: education, labour market, social inclusion and young people’s participation. In addition measures are being implemented to improve young women’s and young men’s opportunities to combine working life with private and family life. Measures are also being implemented to make it easier for young people’s establishment in the housing market and for their health and safety. Measures linked to the European Youth Pact can be found in Guidelines 15, 17, 18, 19, 20, 21, 23 and 24.

Equal opportunities for men and women

Labour force participation among women in Sweden, particularly among mothers of small children, is higher than in most other European countries. Even though Sweden is considered to have one of the best gender equality records, women and men still do not have equal opportunities. Both women and men should be able to combine family

life and working life. This is the goal of both the European Youth Pact and the Pact for Gender Equality.

The Government will investigate the precise conditions for carrying out a reform of family policy. Such measures as the gender equality bonus in parental insurance, a voluntary municipal child-raising allowance and childcare vouchers will be the principal basis for the reform. The Government also intends to present proposals that will increase childcare options and allow greater scope for buying domestic services (see Guidelines 3 and 21).

The Government also intends to propose that the maximum fee on out-of-school leisure centres be lowered and universal preschool (free of charge) to be expanded to include three-year-olds.

A report from the Institute for Labour Market Policy Evaluation in March 2006 shows that mothers whose childcare fees are lowered by SEK 500 a month or more owing to the maximum fee in pre-school and out-of-school facilities are more likely to choose to work rather than to stay home with their children. The labour force participation rate of these women rose three percentage points. However, the reduced fees had no impact on the extent to which fathers choose to work. Nor does the study find any effect on how much parents already employed, both women and men, work.

The Government proposes returning the recently raised income ceiling for such measures as sickness insurance and temporary parental benefits from 10 to 7.5 price base amounts beginning 1 January 2007. Parental allowance on account of the birth of a child will continue to be calculated with a ceiling of 10 price base amounts as previous analyses have shown that a higher income ceiling might be one way of inducing men with high incomes to increase their use of parental leave. On 1 July 2006, the lowest level in the parental leave scheme was raised from SEK 60 to SEK 180 a day. This applies to children born on or after 1 July 2006.

The Swedish Social Insurance Agency was instructed in July 2006 to make a survey of the available knowledge and the problems related to the disability allowance and care allowance social insurance benefits. Their investigation, which is to be reported in April 2007, will include a review of how the regulations governing benefits match the needs of society today.

A Comprehensive Programme in Line with the European Pact for Gender Equality

In March 2006 the European Council adopted a Pact for Gender Equality to strengthen and accelerate gender equality work in the EU. The aim is to make full use of resources in the labour force by reducing the gaps between women and men in the labour market, encourage a better work-life balance and strengthen gender equality integration and surveillance. At the same time it was emphasised that the gender equality policy is of key importance for competitiveness, prosperity and economic growth. In addition it was decided that the implementation of the Pact on Gender Equality will take place within the framework of the Lisbon strategy.

In the Budget Bill for 2007 measures were announced in several of the areas highlighted in the Pact for Gender Equality. Included were measures to improve women's working conditions, the introduction of a

gender equality bonus aimed at improving opportunities for women and men to share responsibility for the home and children, and lower taxes on domestic services to make it easier for women and men to combine work and family life.

A vigorous effort is being made to encourage entrepreneurship among women. The Government will increase the scope for individual initiative and self-employment in the welfare sector. Measures linked to the Pact on Gender Equality can be found in Guidelines 2, 9, 15, 17, 18, 19, 21 and 22.

A longer working life

The labour participation rate of older women and men in Sweden is high and it has increased substantially in the oldest age group 60–64 years in the past five years, from 58.9 per cent to 65.1 per cent for men and from 50.1 per cent to 56.9 per cent for women according to the Swedish Labour Force Survey. However, older people in the labour force who lose their jobs have difficulty getting back into the labour market. Thus there is a higher level of long-term unemployed in this group than in other age groups. Measures leading to better use being made of older members of the labour force and getting employers to venture to employ them must be given priority, particularly in view of the demographic trend over the next few decades. In the 2007 Budget Bill the Government proposes the following:

- The special employer's contribution of about 16 per cent will be discontinued for workers over the age of 65 and those covered by the new old-age pension system. The changes will enter into force on 1 January 2007.
- A tax reduction for earned income – the 'job tax deduction' – will be introduced on 1 January 2007. To increase the economic incentive to work longer, a higher tax deduction for those over 65 than for other age groups is proposed.
- For new start jobs the subsidy to older workers over 55 years of age will be given for a period equivalent to twice as long as the individual has been absent from working life, though at most 10 years.

The Government has also begun work on the proposals made by the Committee on Discrimination so that Sweden can implement the provisions in the so called Working Life Directive²² on age discrimination as soon as possible.

Furthermore, the Government has allocated funds for a three-year project aimed at older workers who are unemployed and on sick leave up to June 2007. The purpose of the project is to develop methods that can contribute to providing older workers with better conditions for returning to the labour market. The intention is that experiences gleaned from the project could then be used by the public employment offices or by private agencies, industry agencies and temporary work agencies that can supplement the public employment offices. Thus far 300 unemployed

²² EC Directive establishing a general framework for equal treatment in employment and occupation (2000/78/EC)

older workers have participated in the project. Of these, 53 per cent were men and 47 per cent were women.

Reducing sick leave

The Government believes that its predecessor's target of halving the number of people on sick leave by 2008 compared with 2002 will not be effective in getting women and men on sick leave back to work. The struggle to meet the target has led to an unacceptable increase in the number of people with sickness and activity compensation. The Government therefore intends to come back to the matter with a new target. Furthermore the Government believes that sick leave must be reformed so that it gives more incentives to return to work. The work-first principle has to be strengthened. A number of measures are presented in the Budget Bill for 2007:

- The responsibility of employers for co-financing sickness benefit costs introduced in 2005 will be abolished in 2007. In the Government's opinion it has worsened labour market opportunities for occupationally disabled women and men. In addition it has increased costs for individual employers.
- The recently raised income ceiling for sickness insurance will go back from ten to seven and a half price base amounts, since it is more urgent to strengthen incentives to work than to have sickness insurance provide high compensation to high-income earners.
- The calculation of the income that forms the basis of many types of compensation based on daily allowances in the social insurance system (for example, the sickness benefit) will be changed. It will be based on historical income rather than expected future income as it is today. It will thus be more accurate.
- One of the priority groups for the new start jobs is people who have received sickness benefit, or sickness or activity compensation for more than a year (see Guideline 19).
- To reduce the overuse of the sickness insurance system, measures will be taken to improve the conditions for an effective sick leave process and promote the work-first principle. The Government intends to take measures that will speed up the work under way on designing guidelines for sick leave, bring processing of sickness insurance more in line with actuarial practices and improve assessments of diffuse symptoms by the health and medical services. To increase employers' ability to control cases of short-term illness, employers will be able to require a doctor's certificate from the employee from the first day of illness.
- There will be more active rehabilitation to promote a return to work. The focus will be on early action to promote a return to work. One possibility that the Government intends to study more closely is the introduction of a system with coordinators who can support the individual in the rehabilitation process. Employers will no longer be responsible for organising rehabilitation examinations. The financial coordination of rehabilitation programmes, which has existed since

2004, will also be made more flexible and adaptable to local conditions.

To encourage county councils to be more active in the sick leave process and to give more support to patients' return to work, a special subsidy for the health sector has been introduced beginning in 2006. The measure involves funding of SEK 3 billion over three years and requires an agreement between each county and the Swedish Social Insurance Agency. The support will be paid out partly as a fixed share in proportion to the number of residents in the county and partly as a variable share in proportion to the size of the decrease in absence due to ill-health in the area.

In 2006 the Swedish Social Insurance Agency and the National Labour Market Board began work announced earlier on examining all cases of long-term illness in two counties with the aim of helping these people go back to work. The intention is for the agencies to extend the measure to all other regions of the country by the end of 2007. However, according to the new Government, the forms and methods of work will be reviewed.

The Government thinks that company health care should be able to do more and be put to better use in preventive efforts, as a support in the return to work, and as a link between the work place and health and medical care. Company health care should be primarily a matter for the social partners. The Government intends to come back to the matter of how to develop company health care.

To facilitate the return to work, a change in the law was implemented in spring 2006 that makes it possible for women and men who have received sickness or activity compensation for at least a year to study for a period not exceeding two years, during which time their entitlement to compensation will remain dormant.

The Inquiry on Social Security Systems for Entrepreneurs (dir 2006:37) was appointed in March 2006 to review the insurance conditions for entrepreneurs in the social security systems. It is to submit its report by 31 March 2007 (see also Guideline 15).

The social partners' contribution:

Within the framework for the social dialogue at the European level, the social partners have come to an agreement on a framework programme, the Framework of Actions on Gender Equality. Sweden's implementation of the framework programme is designed by the social partners working together. Two members of the Swedish section of the European Centre of Enterprises, the Swedish Association of Local Authorities and Regions and Pacta and their counterparts on the employees' side have signed an agreement (FAS05, Renewal – work environment cooperation by local authorities, county councils and regions) on the implementation of the EU Framework Programme.

In the central government sector, the Development Council for the Government Sector, in which the social partners participate, provides financial support to work on gender equality and multiculturalism in the workplace. Focus group interviews are also being organised as a support

in the work for equal terms and opportunities for career and skills development.

One example of supporting a lifecycle orientation to work is Galaxen, a company in the construction sector, which employs disabled construction workers and/or those at risk of unemployment. Prevention and rehabilitation are its aims. Workers in the construction sector are offered work with lower requirements, based on each person's ability to work. One goal of the activity is to enable workers to return to the regular labour market after rehabilitation or retraining. Through employment in a regional Galaxen company, employees are assigned to a suitable work place. Galaxen works in cooperation with the National Labour Market Board and a wage subsidy is paid for workers employed by the company. A position with Galaxen lasts 2.5 years on average. The gain is twofold. The individual gets meaningful employment while the economy gets a positive net contribution and a reduction in the number of transfer payments.

At the European level the social partners have concluded a framework agreement on work-related stress. Sweden's social partners agreed in December 2005 on a joint implementation of the agreement and will report the measures they take in future.

A new pension agreement between the Confederation of Swedish Enterprise and the Council for Negotiation and Co-operation, a negotiations cartel which represents about 700 000 salaried employees in the private sector, encourages older workers to stay in the labour market. Instead of a benefits-based system in which the pension is based on transfers from the active labour force of a certain percentage share of employees' wages, a contributions-based system will be introduced, in which the pension accrues beginning at age 25 and continuing all the way to retirement. If employees want to keep working to the age of 67, an agreement can be made with the employer on continuing pension contributions. Since the size of the pension is decided by the sum of the premiums paid in, divided by the number of years the pension is paid out, it is well worth working a few years extra.

Beginning in 2006 there is a new pension agreement for municipal and county council employees (KAP-KL) which, like the new Supplementary Pension for Salaried Employees in Industry and Commerce Agreement, involves contributions-based financing of pensions. This agreement promotes a longer working life and sounder public finances. The agreement plays an important role in facing the future, especially in view of the relatively large number of public employees in Sweden. Similar negotiations are also under way in other sectors of the labour market.

In the programme Growing Power Objective 3, the possibility of promoting projects to reduce ill health was opened, with the social partners' support. People on long-term sick leave or early retirement were given the opportunity to participate in the project aimed at a return to work.

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

Everyone's willingness to work must be put to good advantage in order to overcome labour market exclusion. The labour market policy must therefore be changed and have a clearer focus on jobs and effective measures for those most detached from the labour market. The work-first principle will be highlighted so that greater resources can be secured for matching jobseekers and job vacancies.

The Government's policy means a shift in focus from labour market policy programmes to more general measures for stimulating demand for more jobs and new jobs. These measures include subsidies for household-related services that will be introduced in 2007 (see also Guidelines 3 and 21).

Active labour market measures

Labour market policy can and will serve to oil the wheels of the labour market. It will help enable people to move as speedily as possible from one job to another or from unemployment to a position in the regular labour market. The Government therefore proposes measures to make labour market policy more effective and highlight the work-first principle.

- New start jobs involve a subsidy corresponding to the employer's social security contribution for employers who take on people who have been out of work for more than a year. People who have been unemployed and registered with a public employment office, participated in a labour market policy programme or whose means of support has been full-time sickness benefits or sickness and activity compensation for more than one year will be eligible for new start jobs. The subsidy will be given for the same length of time that the individual has been without a job, though at most five years.
- A job and development guarantee for the long-term unemployed will be introduced in 2007. Its purpose is to get participants into the regular labour market as quickly as possible with the help of individually designed measures. These measures will be arranged by a variety of authorised coordinators. Participants will receive compensation amounting to 65 per cent of lost earnings, though no more than SEK 680 a day and no less than SEK 320 a day. Those who do not want to participate lose the right to benefits. At the same time the Activity Guarantee Programme is being abolished.
- Employment training will focus more closely on strengthening unemployed people's skills and concentrate on an area where there is a shortage of labour.

These measures and other tax reductions will be introduced at the same time that a range of labour market policy programmes are discontinued.

Among the discontinued programmes are sabbatical years, bonus jobs, educational leave replacement positions, jobs for recent graduates, computer activity centres, international work placement grants, non-publicly procured employment training in the regular education system, subsidised school holiday employment for upper secondary school students, and general and enhanced recruitment incentives.

The new model for occupationally disabled people introduced on 1 January 2006 will be regularly monitored and evaluated up to 2009. The Government intends to expand the opportunities for the disabled to get subsidised employment.

Improved integration of foreign-born women and men

Over 1.1 million people, or 12 per cent of the population, were born in other countries. Even though differences have narrowed in recent years, employment among those born abroad is considerably lower than among those born in Sweden. The differences are greatest for women. In 2005, 62 per cent of all foreign-born people of working age were employed, 59 per cent of the women and 65 per cent of the men. The employment level among people born in Sweden that same year was 76 per cent, 78 per cent of the men and 74 per cent of the women. The Government will give priority to measures to reduce the differences between those born in Sweden and those born abroad and welcomes evaluations of programmes that have been implemented to better integrate immigrants in the labour market. The Government intends to highlight the importance of giving priority to men and women with a foreign background in all labour market policy programmes.

The new start jobs proposed for introduction on 1 January 2007 will also include asylum seekers who have received permanent or temporary residence permits, quota refugees and close relatives of people in these groups during the first three years after receiving permanent or temporary residence permits. The Government intends to present measures at a later point to further expedite entry into the labour market for people with foreign backgrounds.

To put immigrant entrepreneurship on an equal footing, resources of SEK 20 million a year are proposed for the state development company ALMI and for the International Association of Entrepreneurs in Sweden (IFS). Of these funds, SEK 10 million will be allocated for 2007 and 2008 to facilitate the continued integration of the advisory activities of IFS with those of ALMI and to ensure that the same competence exists in all regional ALMI subsidiaries.

To expedite newly arrived immigrants' establishment in the labour market, a geographically demarcated experiment began on 1 July 2006 which means that the National Labour Market Administration (AMV) has overall responsibility and that measures aimed at working life will begin earlier.

The experiment with workplace introduction conducted on a trial basis in 20 municipalities will be incorporated into the ordinary activities beginning on 1 January 2007.

Every year public services and products costing over SEK 400 billion are purchased by public procurement in Sweden. It is important that

government agencies set a good example to ensure non-discrimination in public procurement. In July 2006 the previous government decided an ordinance on antidiscrimination in public procurement contracts (2006:260). According to this ordinance thirty central government agencies are obliged to specify terms in their procurement contracts to discourage discrimination by suppliers.

Incentives to work

The employment rate is higher in Sweden than in most other EU Member States and in the past ten years marginal effects have decreased. In 2006 the marginal effects were estimated to be 40.3 per cent, compared with 46.1 per cent in 1997, i.e., a decrease of 5.8 percentage points. However, much remains to be done. Working does not appear to be a financially attractive alternative for everyone. Single parents with several children are subject to an average marginal effect of almost 50 per cent when they increase their work and 5 per cent of those of working age have marginal effects of at least 60 per cent. The replacement rate if unemployed is 85 per cent for women and 75 per cent for men. Low-income earners often have a replacement rate of 90 to 95 per cent. In addition to the marginal effects of the public systems, agreed benefits in the labour market contribute to making the financial rewards from working even smaller for many.

The aim of the Government's policy is to make the labour market more inclusive and raise employment in the long term. The Government is taking a range of measures to improve incentives to work. Reducing the marginal effects in the tax, transfer and benefit systems are important measures in this effort. Tax reductions for low- and middle-income earners, in combination with reforms in the benefits system, will provide more incentives to look for and accept job offers and to increase the input of labour from part- to full-time. Measures to improve incentives for these groups are urgent.

On 1 January 2007 the first step will be taken to lower the income tax on work, with the emphasis on low- and middle-income earners. A job tax deduction on wages and business income will be introduced to improve the economic incentives to work. Both the average tax and the marginal tax on earned income will be lowered. A reduction in the average tax rate makes it more worthwhile for people currently without work to take a job. For those who already have a job, lowering the marginal tax means that it is more worthwhile to increase the number of hours worked. The Government plans to take another step to reform the income tax in 2008.

In a step to increase incentives to take a job, the Government will strengthen the role of unemployment insurance as adjustment insurance. In the Government's view, generous unemployment insurance for a short period of unemployment can increase flexibility in the labour market. People who can get financial compensation in the event of temporary periods of unemployment feel more secure and dare to try out new jobs. However, over-generous insurance coverage risks having a negative effect on unemployed people's willingness to find a new job.

Under current regulations, unemployment benefits will, as a rule, replace 80 per cent of lost earnings for a specified time. The financial incentives to overcome unemployment are thus weak. In the Government's opinion, work should always pay better than unemployment.

For a reform to produce the most positive effects possible for employment, several factors in the formulation of unemployment insurance must be considered, such as the terms of entitlement to compensation, the replacement rate, the length of time that compensation is to be paid, and the basis on which it is calculated.

In other words, the aim is to increase the financial incentives to overcome unemployment so that unemployment insurance makes a greater contribution to increasing employment. The maximum amount that an individual can receive from unemployment insurance and the compensation received from participating in labour market policy programmes, 'activity support', will be lowered to SEK 680 a day. Compensation will amount to 80 per cent of the lost income for the first 200 days and 70 per cent thereafter to a maximum of 300 days and 450 days respectively for parents with children under the age of 18. After 300 days and 450 days respectively, the compensation will be 65 per cent of the lost income.

In addition the Government intends to propose in 2007 that unemployment insurance after 300 and 450 days respectively be replaced by training or obligatory, socially useful work under a job and development guarantee. Compensation under the job and development guarantee will be 65 per cent of lost income.

The regulations concerning entitlement to compensation and the basis on which it is calculated will also be changed. The terms for entitlement to unemployment benefits will be made more stringent. A minimum of eighty hours of work a month for six months in a twelve-month period will be required or alternatively, 480 hours of work in a six-month period with at least 50 hours of work a month. Time exemptions in unemployment insurance on grounds such as sickness, educational leave and parental leave, will also be made more stringent by restricting the exemption to five years in most instances. Furthermore, studies as a means for qualifying for unemployment insurance – the study condition – will be abolished. Calculation of normal working hours, on which unemployment benefits are based, will also be changed. Instead, benefits will be based on earned income in the past twelve months.

More stringent benefit levels and entitlement requirements are not enough to increase incentives and make it easier for the unemployed to return to work quickly. Unemployment insurance must also be brought more in line with actuarial practices. It is the Government's opinion that this should be done by reducing the central government subsidy rate and by having the insured assume a larger part of the costs. When unemployment insurance was introduced in Sweden, members of the unemployment benefit fund paid most of the cost of the insurance. Today the central government pays about 90 per cent of the costs. At the margin, unemployment is completely subsidised. Thus in principle a new unemployed member poses no additional cost to the unemployment fund. This means that neither the employer nor wage-earners collectively have

to bear the direct cost if unemployment increases. It is therefore important to make the cost of unemployment more transparent and more visible. One way of accomplishing this is to increase self-funding. The increased financing charge will depend on how high unemployment is in each unemployment benefit fund and will be charged only to members who are not unemployed. In concrete terms, this means that the unemployment benefit fund will, for every member who is not unemployed, pay the central government an increased fee of up to SEK 300 a month. Consequently the individual membership fee for the unemployment benefit fund will be raised a corresponding amount.

Furthermore, the social safety net provided by the unemployment insurance should give comprehensive coverage. Today many people are not members of unemployment insurance funds even though they have a job and contribute 90 per cent of the compensation from the funds via the tax system. It is the Government's opinion that everyone who is covered by unemployment insurance ought to be eligible for income-based compensation and at the same time they ought to pay their share of the insurance. Unemployment insurance should therefore be compulsory and cover everyone who is gainfully employed. The Government will appoint an inquiry charged with investigating and proposing how this will be accomplished.

Better control of the insurance systems

The Swedish welfare system offers generous benefits. However, for society to afford to maintain this generous level and to strengthen the work-first principle, it is essential that the systems are not overused and that only those who are entitled to do so receive benefits and allowances. In the long term, incorrect disbursements can also undermine the financial basis of the welfare systems. This, in turn, may lead to a need to lower the payment levels for various benefits or raise taxes. In light of this, it is vital both for the legitimacy and for the funding of the welfare system that controls are increased and made more effective and that benefits and allowances that have wrongly been awarded are reclaimed.

AMS and the Social Insurance Office have been given temporary resources in 2006 and 2007 for an additional 500 employees to improve surveillance and control over unemployment and social insurance. Better control will reduce benefits and tax fraud. The Social Insurance Office has tightened its surveillance of sickness insurance and as a result, more people have lost their sickness benefit or have had their application rejected. According to the Social Insurance Office, most of these people have returned to work.

The social partners' contribution:

To promote multiculturalism in working life and the integration of groups detached from the labour market, the social partners have established the Council for Integration in Working Life (Rådet för Integration i Arbetslivet). The Council strives for openness and equal treatment using a range of measures. A practical guide for companies, government agencies and organisations giving the arguments for integration in working life has been issued. It includes a description of the benefits of fighting discrimination and promoting equal treatment. The guide also provides advice and recommendations for recruitment.

Under this guideline, mention of the ESF programme EQUAL is warranted. Its chief aim is to forestall, prevent and fight discrimination and exclusion in working life and the labour market. The programme provides opportunities for cooperation with other EU Member States to benchmark and share experience. The work has been conducted in Development Partnerships in which many of the labour market organisations are important actors. Another aim of the programme has been to try innovative ways of working and so the entire programme can be classified as an 'experimental workshop'.

4.4 Guideline 20 – Improving matching of labour market needs

To eliminate bottlenecks in the labour market, the Government considers it important to carry out sweeping reforms to facilitate and improve matching jobseekers and job vacancies. A reform of the Swedish Labour Market Administration (AMV) is therefore necessary. So too must external actors' participation in matching be encouraged. However, improving matching opportunities in Sweden is not enough. To meet the challenges of globalisation and an ageing population, Sweden must look to other countries in and beyond the EU. It is therefore the Government's opinion that there must be improvements in the free movement of labour in the EU as well as in the opportunities for workers from countries outside the EU/EES to come to work in Sweden.

Modernising and strengthening labour market institutions

AMV will be radically reformed and beginning 1 January 2008, it will be restructured as an integrated agency organisation. This change will make it a more effective, flexible and less costly organisation. It is the Government's judgement that flexibility in the labour market and adapting to local and regional needs will be improved if labour market policy is built up around local and regional labour markets instead of being limited to the county system.

In addition the Government thinks that AMV has too many objectives. The current complex hierarchy of objectives risks leading to conflicts between objectives and makes it more difficult to understand the connection between various objectives and levels of objectives and the objectives' intended affects. Thus activities that are guided by clear and

measurable targets are a prerequisite for improving how labour markets function. Another aim of the reform of AMV is to make the agency more independent. Research and reliable experience from Sweden and many other industrial countries provide strong support for the need to conduct activities with a clear stabilisation policy element at a distance from politics. The new agency should therefore have more responsibility for deciding how programme resources should be allocated. The focus will be on making it easier for the unemployed actively to look for work, i.e., by matching jobseekers and vacancies, while giving more actors, for example, private agencies, industry agencies and temporary work agencies, the chance to offer services to help the unemployed. The Government intends to come back to the matter of reorganising AMV.

Improving matching of jobseekers and job vacancies

Employment training will focus more on strengthening unemployed people's skills than it does today and concentrate on areas where there is a shortage of labour in terms of national and regional needs.

Experience shows that employability falls rapidly after an individual has been unemployed for some time. Every jobseeker must get better support from his or her employment office in finding a job. The reform of AMV will make it better able to use its professional competence in deciding how to allocate its resources to maximise their contribution to effective matching of jobseekers and job vacancies. An individual and a measures-oriented action plan will therefore be drawn up for every jobseeker within thirty days and every jobseeker will eventually get a personal coach.

More actors, for example, private employment agencies, industry-specific employment services, employment security councils and temporary employment agencies, will have a more prominent role in offering measures for the unemployed that will benefit the jobseeker. The Government therefore intends to come back with proposals that expedite the development of supplementary employment agencies.

The previous government charged the Institute for Labour Market Policy Evaluation (IFAU), in consultation with AMS, with developing a model for profiling aimed at working out methods for the early identification of unemployed people at risk of long-term unemployment and offering them effective help. Their final report is expected in December 2006.

Removing obstacles to labour mobility in the EU

Sweden was one of three countries in the EU to allow free movement for workers from the first day of the EU enlargement, 1 May 2004. 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. A relatively low demand for labour, a regulated labour market with a compressed wage structure and unfamiliarity with the Swedish language on the part of most people outside Scandinavia are some of the possible explanations.

Both an open labour market for citizens from all EU Member States and more comparability in higher education and better recognition of degrees, diplomas and certificates, and professional qualifications are necessary for labour market adjustment.

In June 2006 regulations for the reform of the higher education system in accordance with the Bologna Process were decided. These regulations will come into force on 1 July 2007. Against the backdrop of agreements on national reference frameworks for qualifications in higher education reached in accordance with the Bologna Process, the National Agency for Higher Education will be instructed to draw up a national reference framework for Sweden in autumn 2006.

Another SEK 3 million a year has been allocated in 2006 and 2007 to the Swedish National Commission on Validation for a supplementary inquiry to review effectiveness and quality in the current division of responsibility for the validation of foreign higher education. About SEK 40 million a year has been allocated for supplementary education for foreign university graduates and a shortening of the processing time to validate foreign secondary school leaving certificates.

Facilitating labour immigration

The conditions under which future labour immigration to Sweden might take place are a much-debated political issue. The possibilities for workers from countries outside the EU/EES to come to work in Sweden urgently need to be broadened. An increase in the overall labour supply is needed to avoid labour shortages in future. More labour immigration will alleviate the impact of future demographic trends in Sweden and be an important complement to other measures to stimulate the labour supply.

On 18 October 2006 the Committee on Labour Immigration (KAKI) presented its final report, *Labour Immigration to Sweden – Proposals and Consequences* (SOU 2006:87)). The aim of the Committee was to draw up regulations leading to more labour immigration from countries outside the EU/EES. Implementation of the proposals submitted by the Committee could help reduce bottlenecks in the labour market. Fixed-term work permits for citizens from non-EU countries offered employment because of a labour shortage, faster, more efficient processing of work permits, and the introduction of visas for certain groups of jobseekers are among the Committee's proposals. The Committee also proposed broadening the terms under which foreign students studying in Sweden could get work permits. A timely decision on the work permit issue could lead to the prompt filling of vacancies by citizens of third countries in those instances when workers from other EU countries are not available. The Committee's proposals are currently under consultation and the Government intends to return to this issue. New regulations are expected to come into force in 2008.

The social partners' contribution:

The Confederation of Swedish Enterprise, the Swedish Trade Union Confederation (LO) and the Council for Negotiation and Co-operation (PTK) have come forward with a recommendation on adjusting collective agreements for companies that become temporary members of employers' associations within the Confederation. It contains joint principles and basic understandings that increase opportunities for services to move to Sweden through adjustments to collective agreements by the parties in accordance with the recommendation. When foreign companies operate in Sweden for a maximum of twelve months, some manner of solution can be worked out to provide equal treatment of Swedish and foreign workers and companies active in the Swedish labour market.

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

Flexibility is a broad concept covering labour legislation, an active labour market policy, social security and skills development. A good balance in each of these areas and between them with respect to flexibility and security is required.

A sound and vital working life and security for workers are crucial preconditions for economic growth. Good relations in the labour market are important so that workers can feel safe and employers venture to hire. A legal framework for the labour market supported by both employers and employees is required.

A linchpin in the Swedish labour market model is the social partners' regulation of conditions in the labour market by means of collective agreements. In this way regulations can be adapted to the varying conditions of different parts of the business sector and flexibility can be achieved. It also enables the social partners to take responsibility through their own initiatives for the development of a modern and well-functioning working life with agreements that promote flexibility and security.

A constantly changing society poses heavy demands on the labour force. The Swedish economy is subject to pressure to restructure which requires adaptation of the labour force. A policy which facilitates as soft an adaptation as possible is required.

With respect to the efforts to reduce labour market segmentation, other guidelines are also relevant. The measures which the Government intends to take in order to put everyone's willingness to work to good use and overcome exclusion are reported under Guideline 19. The measures planned by the Government in order to combat bottlenecks in the labour market are reported under Guideline 20.

Combining flexibility and security

Modern, well-functioning labour legislation is important. The labour legislation has to meet the demands for security and influence for the employees and at the same time contribute to an efficient and flexible labour market and a favourable business climate. The number and scheduling of working hours are also significant.

Labour legislation generally provides good scope for combining secure labour market conditions with high employment. The Government is of the view that the basic labour legislation should remain intact. The Government will safeguard the Swedish model. Conditions in the labour market must preferably be regulated by agreement between the social partners.

Employment security is not the main explanation for the high unemployment and extensive exclusion in Sweden. There are other factors that are more important for employment than the extent of employment security. One such factor is the design of the tax and compensation systems. Another factor at least as important is the labour market's ability to match jobseekers and vacancies.

The majority of workers in the Swedish labour market have contracts of unspecified duration (permanent contracts). It is the Government's view that such contracts are to be the basic form of employment in the labour market. But fixed-term contracts also play an important role. They are required for employers to be able to cover temporary needs for labour and they are also an important bridge to working life for young people and others with little or no work experience.

The thresholds are too high today. Fixed-term contracts, as a supplement to contracts of unspecified duration, make it possible for people who are very detached from the labour market to get established and gain work experience. At the same time, it is important that employers be given the opportunity to make longer commitments than they can in the present system, so that employees can get good work experience. Temporary contracts should be able to have a relatively long duration. It would increase the opportunities for both employers and employees; there would be more flexibility and employees would have more security. Some sectors have large seasonal variations and cannot function efficiently and be profitable without the option of taking on staff for only part of the year. The Government therefore intends to come back with proposals for changes in the rules in order to increase the scope for fixed-term contracts. The aim will be to make it possible for one and the same employee to have flexible fixed-term employment with the same employer for a maximum of 24 months in a five-year period. Seasonal contracts will be a possible form of employment. After a total of at least 12 months of employment, a worker will have the right of priority to re-employment.

With the aim of as far as possible eliminating rules that may discriminate on grounds of age, the Government intends to come back with a proposal to abolish the rules in the Employment Protection Act that give older employees the right to count their time of employment twice when the order of priority is decided in connection with notice in situations where there is a shortage of work.

On 1 July 2006, some amendments to the Parental Leave Act entered into force. The new rules give better protection to employees on parental leave, since jobseekers or workers may not be disadvantaged for reasons related to parental leave. In addition the protection for workers on parental leave has been strengthened by amendments to the Employment Protection Act stipulating that the term of notice for an employee given notice owing to shortage of work will, as a general rule, start running only when the employee resumes working.

Barriers to the participation in working life of functionally disabled and older workers must be removed to the greatest extent possible. Work to this end is under way in the Government Offices, some of it within the framework of the work related to the final report of the Committee on Discrimination (SOU 2006:22).

Work environment and work organisation

The Government would like to emphasise that a good workplace is not just a working environment free from risk of injury or illness. There must also be good opportunities for the employees to participate and develop based on their individual circumstances. How the work is organised is important for productivity and good use of the full capacity of the staff. It is also important for the security and flexibility of the employees. Technological development should make it possible to increase flexibility with respect to where and when work is carried out. It is the Government's view that measures may be required in order to adapt the working environment in a way that makes older workers able and willing to continue working at least to their retirement age.

Special pilot projects in the public sector to prevent and reduce absence due to illness and to combat long-term sick leave are currently being financed by the Government. These projects cover work organisation, working methods and management issues. The projects are now completed and final reports have been submitted to the Government Offices. The knowledge and experience gleaned from the projects will be made available by the Agency for Innovation Systems (VINNOVA).

VINNOVA has been charged with supporting the development of cooperation among employers with respect to preventive measures and rehabilitation in the business sector. Its final report was submitted in March 2006. It shows that most of the projects in this effort have been about 'employers' rings', where some kind of common expert on rehabilitation has coordinated the activity. Cooperation in the employers' rings aims at increasing the possibilities of finding suitable work for employees in rehabilitation or as a preventative measure where there is a risk of ill health. As part of its ordinary activities, VINNOVA continues to take measures aimed at mobility and adjustment possibilities.

Combating undeclared work and tax evasion

Undeclared work and other forms of tax evasion distort competition in the markets and lead to exclusion, social problems and inequities among taxpayers.

In order to reduce tax evasion three different kinds of measures will be needed:

- *First*, tax regulation must be as simple as possible. It must not be made difficult to be honest. When new rules are created, consideration must be given to how their observance can be controlled.
- *Second*, taxes and charges are to be reasonable. Thus, taxes and charges must be generally accepted.
- *Third*, control must be effective and visible.

The Swedish Tax Agency has made a survey of undeclared work in Sweden (Report 2006:4, Purchasing and performing undeclared work in Sweden, Part 1). The report shows that performing or purchasing undeclared work is perceived as a minor offence. Furthermore, those who perform undeclared work often defend it by arguing that people in leading positions break the rules of society or that taxes are too high. Citizens are well aware that it is wrong to perform undeclared work, but social arguments are too weak to influence their behaviour. In comparison with other countries, purchase of undeclared work is relatively common in Sweden, and the tax morale is sinking. There is a discrepancy in the national accounts between income in society and household expenditure, which indicates that undeclared work could amount to SEK 115–120 billion. The Tax Agency's survey could explain SEK 90 billion as undeclared work. The Tax Agency intends to report on experts' conclusions on the reasons for undeclared labour and possible solutions in a second part of the report.

In the Budget Bill for 2007 the Government has announced a number of measures that will contribute to a reduction in fraud and incorrect payments of benefits. The cost to private individuals of the demand for services in the formal sector will be reduced. Tax deductions will be allowed for certain domestic services. Social security contributions will be reduced in certain service industries, some of which are particularly exposed to tax evasion and have a high incidence of undeclared labour. A proposal for reverse charge of VAT for the construction sector is currently under preparation in the Government Offices. The aim of the proposal is to reduce tax evasion in this sector.

The proposal announced earlier to require employers in high-risk sectors to keep a register of the staff (restaurants and hairdressers) has been decided and will be implemented from 1 January 2007. The proposal to allow employers and those liable to pay VAT to file their tax returns via representatives was implemented on 1 April 2006.

A proposal aimed at combating tax evasion and undeclared work in the taxi industry will be presented shortly. The proposal means that entrepreneurs in the taxi industry will be obliged to transfer information from their meters to authorised reporting centres monthly.

The social partners' contribution:

Sweden's social partners have negotiated security/adjustment agreements, which help workers who have been given notice owing to shortage of work to find new jobs by way of adjustment measures and financial support. The employers are also given advice and support in the adjustment process. By supplementing the efforts of the public

employment service, the agreements contribute to improving the functioning of the labour market, to the security of employees 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.

There are eight adjustment agreements in the Swedish labour market, covering about half the labour force. 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 (trygghetsråd) or job security foundations (trygghetsstiftelser). The employers finance the activity by paying a share of the total wage bill, at present between 0.15 and 0.3 per cent.

All employees in the collective agreement area covered by the 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 completely or starting a business. Several security councils/foundations emphasise that speed is crucial – assistance should be given as soon as possible after notice. The current security agreements in the Swedish labour market are reported below.

TRR Trygghetsrådet, which is directed at salaried employees in the private sector, has been agreed between the Confederation of Swedish Enterprise and PTK and covers about 700 000 employees. It was established in 1974 and has an annual turnover of about SEK 1 billion. Employees who have been or are at risk of being given notice are offered access to a personal adviser giving advice, support and guidance. In addition TRR organises activities for personal development and gives financial support for skills development. There is also supplementary income protection amounting to 70 per cent of the previous salary for employees on notice who are 40 years of age or older and have been employed for at least five years in the company that gave notice. TRR Trygghetsrådet reports that of the members who have actively looked for a new profession during the past ten years, nine out of ten managed to get a new job.

Trygghetsfonden TSL, which was established in the area of the Swedish Trade Union Confederation (LO) and covers 950 000 employees, is the largest adjustment agreement in the Swedish labour market. It was started in 2004 and is estimated to grant support to about 19 000 persons in 2006. TSL uses about 40 different companies specialised in adjustment, and the competition among them creates efficiency for the individual. Of those participating in an adjustment programme in the first quarter of 2006, 13 per cent were still jobseekers after having completed the program and 63 per cent had a new job; of these, 38 per cent had a fixed-term contract. Three per cent had started their own business and ten per cent had started training. In addition four per cent were on sick leave, one per cent had chosen early retirement and six per cent were reported as 'other', for example, parental leave, a move abroad, traineeship or work with hourly pay.

The security agreement of banking and finance was signed in 1992 and is administered by the Financial Sector Union of Sweden. The agreement

covers 45 000 employees. In addition to financial compensation of up to 80 per cent of that part of the salary that exceeds the highest ceiling of the unemployment benefit fund, training support and help to start a business are provided.

For employees in municipal companies, there is KFS-företagens trygghetsfond, covering about 30 000 employees. The agreement was signed in 1994 and offers a salary supplement to employees having to accept a lower salary, financial support for training and support for starting a business.

Trygghetsrådet TSR administers the adjustment agreement for employees in the sports and culture sectors, covering 20 000 employees. It was signed in 1972 and is the oldest adjustment agreement in the Swedish labour market. In addition to personal advice, Trygghetsrådet TRS is active in networking. Adjustment agreements have also been signed for employees of the Swedish Church (Svenska kyrkans trygghetsfond) and in the property sector (Trygghetsrådet Fastigo). They cover 25 000 and 9 000 employees respectively.

Trygghetsstiftelsen covers government employees and was signed in 1990 by Arbetsgivarverket OFR, SACO-S and SECO. The organisation of the adjustment work of Trygghetsstiftelsen is not markedly different from that of TRR. It has 245 000 members.

The social partners in the municipal sector have started negotiations aiming 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, two out of three employees in the Swedish labour market will be covered by an adjustment agreement.

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

An effective wage formation process is a prerequisite for wage development that promotes employment and at the same time helps keep inflation and interest rates low. This in turn promotes growth and employment. The forms of wage formation are primarily a matter for the social partners who themselves continue to take responsibility for and respect signed agreements without state involvement. Agreements are preferred to legislation since a broad understanding between the partners adds stability and legitimacy to signed agreements.

The National Mediation Office

The National Mediation Office, since its creation in 2000, has acted as a mediator between the social partners and encouraged an efficient wage formation process in the labour market. An inquiry chair was appointed in March 2005 with instructions to evaluate the Mediation Office's activities from 2000 to 2004 based on its goal of a wage formation process in economic equilibrium and industrial peace. The inquiry's report, Good Practice in Wage Formation – an Evaluation of the National Mediation Office (SOU 2006:32), submitted in April 2006, noted that

from an economic perspective, wage formation in Sweden has worked well from 2000 to 2004, but at the same time globalisation of the world economy continues and thus Sweden's economy faces increasing competition. In addition the report emphasised that the Industrial Agreement and other agreements are considered models of good practice for wage formation in economic equilibrium and industrial peace. The report is currently being considered by the Government Offices.

Combating gender-based wage discrimination

In 2005, women's pay was on average 84 per cent of men's pay. The pay differential has remained largely unchanged since the beginning of the 1990s. 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 92 per cent in the labour market as a whole, 92 per cent for the general government sector, 93 per cent in county councils, 99 per cent in municipalities and 91 per cent in the private sector. The private sector has the largest wage difference when allowing for differences in background factors. The remaining pay differential, after adjusting for relevant variables, presumably indicates pay discrimination. The Government still is of the opinion that all forms of pay discrimination for reasons of gender must cease.

Sweden's Equal Opportunities Act requires employers to carry out an annual review, analysis and assessment of the pay differences between women and men and take necessary measures. In November 2005 the Equal Opportunities Ombudsman submitted a report to the Government on the impact of the changes to the law made in 2001 tightening the provisions on pay surveys. It is evident from the report that in the past two years in particular, tightening the provisions is clearly having an impact on gender-based pay differentials by individual employers.

The previous government submitted a communication to the Riksdag, Action Plan for Equal Pay (Comm. 2005/06:213) in early June 2006. The Government has not yet taken a position on this communication.

4.7 Guidelines 23 and 24 – Adapting education and training systems in response to new competence requirements through expanding and improving investment in human capital

Sweden needs well-educated labour in order to cope with international competition and create economic growth and increased prosperity. Higher education of an internationally competitive quality is a precondition for achieving this goal. It is also the foundation for future research and development. In a global perspective, Sweden is one of the countries that put most resources into education relative to GDP. Despite this commitment, there are weaknesses in the education system. One in four students does not achieve the objectives in one or more subjects in

compulsory education. Far too many fail to complete upper secondary education. Many teachers, parents and students also feel that bullying is a major problem in school.

Getting a high quality education gives young people a better chance of finding work and facilitates their social integration. It also improves young people's prospects of learning new skills later in life and thus their adaptability and employability. Sweden will continue to work with the goals of the European Youth Pact.

Adult education also has an important role to play for the individual and for society. It is essential that adults be encouraged to develop their skills. The Government's view is that resources in adult education should be aimed at those who are most in need of it. At present adults have the right to get the equivalent of a compulsory education. The Government will examine how a similar right to could be introduced at the upper secondary level.

Improving the quality of education

International comparisons show that Sweden is well positioned vis-à-vis the global competition with respect to both investment in education and results achieved. However, there is a worrying trend in Swedish students' declining level of achievement, particularly in mathematics and science. This trend must be broken for Sweden to do better in international competition, given the large resources put into education. The main task of the compulsory school (primary and secondary) is to convey knowledge and the Government has, therefore, proposed measures in the 2007 Budget Bill to enhance the quality of education. Knowledge objectives will, to give one example, be clarified and the number of methodological objectives will be reduced.

The Government believes that improving the quality of higher education must be given the highest priority and take priority over the quantitative expansion. Resources to basic higher education, postgraduate education and research will be strengthened to enable academic institutions to maintain quality in education. In 2006 SEK 133 million will be spent on improving the quality of basic higher education. The Government will continue its planned measures to improve the quality of basic higher education with funding of SEK 256 million in 2007.

In the ongoing work on a new education act, the Government particularly wants to emphasise the schools' responsibility to convey knowledge, teachers' professional freedom and parents' freedom of choice. The professional qualifications required of teachers under the Education Act will be tightened. School legislation will in clear and well-defined terms state the powers that the headmaster or headmistress and teachers have to handle disorder and disciplinary problems among students.

The Government intends to introduce national objectives for Swedish and an obligatory national examination in Swedish in year three. The Government also intends to introduce grading beginning in year six and it will be more differentiated. A series of regular, obligatory reviews should be introduced so as to put schools in a better position to give their

students individually tailored support. The Government also believes that there must be an investigation of equal standards in grading.

The Government thinks that more frequent and more stringent quality control of schools' academic achievement is needed. Beginning in 2008 schools will be inspected every three years instead of every six years as they are now. The focus will be on the schools' performance in conveying knowledge.

Measures for teachers

Teachers' competence is a key factor in students' results. To reverse the negative trend in students' results, improving teachers' competence is therefore critical. The Government intends to review teacher education with the aim of enhancing the quality of education and to allocate SEK 2 billion over three years to improve teachers' competence through vocational training, and in-service training, as well as opportunities for research and post-graduate education. The Government also intends to tighten requirements for the entity responsible to employ teachers who are trained in the subjects that they are to teach.

The Government also intends, in addition to training for special pedagogues, to facilitate training for special teachers. The aim is to provide schools with the skills needed in order to give their students individually tailored support in reading and writing.

Meeting targets

In 2004, 7.9 per cent of young women and 9.3 per cent of young men aged 18 to 24 had completed compulsory education (ISCED level 2) or less and were no longer in education. Efforts to improve the quality of the education system have continued to have high priority. The Government therefore intends to work for the implementation of various support measures aimed at helping students who need extra support in order to achieve objectives. Schools will be given tools to enable them to offer this support.

The Government intends to appoint a commission with the aim of reforming upper secondary schools. Students in vocational training will be given more in-depth training in their respective occupational choices. Students in programmes with an academic orientation will be better prepared for higher studies. The Government intends to reform upper secondary school to offer students three alternative orientations: an academic preparatory programme leading to general eligibility for university studies, a vocational preparatory programme leading to a vocational certificate and apprenticeship training leading to an apprenticeship certificate.

Adults' opportunities for lifelong learning are also important. This requires tailoring adult education to the individual's needs and wishes. Adult education contributes to lifelong learning, not least with respect to meeting the needs of those individuals who previously did not have a strong academic background. Central government support for adult education will be increased by almost SEK 400 million in 2007.

Better cooperation between schools and the business community

Both the Government and the social partners have noted a need for closer cooperation between schools and working life. The current vocational programme in upper secondary schools is not sufficiently adapted to the needs of the labour market. The Government intends to improve the quality of these programmes by allowing more time for in-depth studies of the core subjects.

Post-secondary training outside universities and colleges will be given priority as an attractive alternative to an academic education. This training will turn out vocationally skilled individuals who can meet the business community's need of qualified workers.

The National Agency for Education, in cooperation with the National Labour Market Board, has been asked to develop information for students in compulsory schools about the labour market and the conditions for getting a job in different occupations and sectors of society. The aim is to increase students' awareness of the labour market before their choice of an upper secondary school programme.

The Swedish National Agency for School Improvement has been instructed to provide support to selected municipalities and schools to improve the quality of academic and vocational guidance. The experience gained will be used to develop activities in other municipalities and schools.

Entrepreneurship can contribute to renewal in society, better economic growth and further improvements to the welfare system. The Swedish Agency for Economic and Regional Growth is carrying out a three year national entrepreneurship programme. One of the aims of the programme is to increase students' interest in and knowledge about entrepreneurship in the compulsory and upper secondary school.

The social partners' contribution:

At the European level, the social partners have signed a framework agreement for the lifelong development of skills and qualifications. The agreement establishes four priorities: identifying and forecasting requirements for skills and qualifications; recognition and validation of skills and qualifications; information, support and guidance; and mobilising resources.

The social partners implement priorities at national level jointly and implementation is evaluated on an annual basis. The Swedish social partners have implemented a number of different measures at the national, sectoral and enterprise level:

- studies to identify future skills and qualification levels: the results have been used in a dialogue with the Government;
- focus on flexibility in learning;
- mobilisation of resources such as Internet-based learning;
- initiatives to enhance dialogue and develop cooperation between companies, regional universities and other institutes of higher education, trade unions and other regional education bodies.

Appendix 1 – The Lisbon strategy takes root in Sörmland

Sörmland wants to speed up and strengthen the local implementation of the Lisbon strategy and get faster and more tangible results. At the regional level, the Regional Association of Sörmland, together with the region's municipalities, has assumed responsibility for pursuing these issues. Their efforts are based on the pioneering work in the two municipalities of Oxelösund and Flen. The municipalities in Sörmland are defining common goals for sustainable growth. Their aim is to use regional planning to monitor growth and make sure it is positive and thereby contribute to national development and the realisation of the EU's goals for sustainable growth decided in the Lisbon strategy.

An action plan has been drawn up together with all mayors in Sörmland called 'Lissabonstrategin tar plats i Sörmland' (The Lisbon strategy takes root in Sörmland). The action plan has the following aims: Municipalities in Sörmland are actively to promote the realisation of the Lisbon strategy to achieve positive growth and sustainable development in the region;

- Better insight and understanding on the part of people living in Sörmland of what the indicators mean for regional development;
- Contribute to spreading information about Sweden's EU membership and its importance for development in Europe.
- The action plan's long-term goals for 2010 are:
- Growth in Sörmland has improved in all areas covered by the selected indicators; Residents of Sörmland's municipalities are more positive to both the region's development and cooperation in the EU.

Integrating a bottom-up perspective

A bottom-up perspective gives the Lisbon strategy's vision, goals and challenges a local perspective. The Regional Association is active in a number of different initiatives launched by the central government, for example, regional development initiatives and growth programmes. Acting on their particular conditions, the municipalities need to link up these initiatives, try to avoid parallel initiatives, integrate work done at the national level and make the most of networks. To do this, Sörmland's municipalities are working with agreed indicators from the Lisbon strategy in their annual management by objectives and fiscal management. A summary of the follow-up of the indicators in each municipality can be found in the joint regional development plan.

For the Regional Association of Sörmland, one important criterion for success is linking its own work with work outside the region. The work of the Lisbon strategy rapporteurs has strengthened contacts with stakeholders outside the region:

- Participation in a seminar for 400 international secretaries in Brussels, arranged by the Regional Committee of the Swedish Association of Local Authorities and Regions (SALAR);

- In their work on sustainable development, the Swedish Business Development Agency and the Swedish Environmental Protection Agency have selected four Regional Associations and four county councils. Sörmland is part of this effort, largely thanks to its work on the Lisbon strategy. The goal is more cooperation between the county councils and regions;
- Rapporteurs have been invited to a seminar at the Ministry of Industry, Employment and Communications prior to work on the national strategy for competitiveness and employment;
- Swedish EU parliamentarians were invited to participate in a presentation on Sörmland's work to implement the Lisbon strategy;
- A study tour to Bristol, which is a good example of how to visualise the situation facing citizens in different areas;
- Contact with other regions' political rapporteurs;
- Rapporteurs were invited by the Government Offices to a meeting with the European Commission preceding the work on the follow-up report on the Swedish Reform Programme for Growth and Employment;
- Rapporteurs were invited by the mayor of the Riga region;
- Rapporteurs are part of the "LisbonSRegions network", which the Stockholm Region European Committee is coordinating;
- A major seminar is planned for Sörmland in June 2007, together with the Stockholm Region European Committee.

Action plan for Sörmland's nine municipalities

All nine municipalities in Sörmland have collaborated on a joint action plan. There is a discussion now under way about the choice of indicators from the Lisbon strategy and a uniform approach to their follow-up.

A joint project organisation with the Regional Association and all the municipalities in the region has been formed. The coming year's priorities are as follows: seven selected indicators to start making joint measurements, public education on EU issues, further development of existing networks, integration of the municipalities' fiscal management and development of a communications plan to carry out the work on the vision showing 'EU- in the market place' in the municipalities. Follow-up and evaluation are to be carried out on an ongoing basis by a group composed of mayors and by the board of the regional association.

Local examples from Oxelösund and Flens for getting results

Oxelösund

The municipality of Oxelösund has started work based on the selected indicators approved by the municipalities. The municipality has already contacted the county labour board, the social insurance office and business leaders to inform them of the work and get their cooperation in achieving the established goals.

Selected indicators:

The municipality is to have good population growth:

- the population is to increase by at least 50 people a year;
- the population structure is to be normalised, the percentage of people aged 25-44 is to increase to 22.4% (from 21.4% in 2005).

The municipality is to have a dynamic and diversified business structure:

- the percentage of the day population employed in service companies is to increase to 46% (from 43.7% in 2004);
- there is to be a minimum of 40 start up companies (32 in 2005);
- Oxelösund is to place among the top 100 in the Confederation of Swedish Enterprise's survey on business climate in 2008;
- there is to be a well-functioning business association with good cooperation with the municipality;
- the municipality's visitor industry is to have at least 150 000 daily visitors.

There is to be an increase in the number of people employed with a non-Nordic background (coordination for this is with SSAB, the harbour and ICA Kvantum).

There is to be an increase in the number of 20 to 24 year olds who have completed an upper secondary school education;

There is to be an increase in the employment rate in the age group 55-64;

The municipality is to be a better employer;

- absences due to illness, excluding sickness compensation for a limited period, are to decline to 8 per cent (from 8.9 per cent 2005);
- municipal employees in female-dominated groups are to get a one-time higher wage increase (0.6 per cent), than employees in male-dominated groups (0.4 per cent in 2005) are to receive;
- at least 10 per cent of the employees in any activity must come from the underrepresented sex;
- twenty per cent of employees who said in October 2006 that they want full time work will get it in 2007;
- the number of people with places in various labour market measures in the municipality is to increase and the number of participating companies is to increase to 60 (from 51 on 1 January 2006).

A few examples from Oxelösund

Some of the most important activities under way aimed at achieving the indicators are:

- Regular company lunches and evenings for entrepreneurs;
- Close cooperation with SSAB, our biggest company, and the harbour;
- A new sewage treatment plant helping clean the Baltic;
- A special effort to promote small enterprises and the visitor industry;
- In the next few years, about 200 new homes will be built to increase the population;
- A campaign for a clean and neat municipality;

- We are visiting some eighty companies during the year and are discussing development opportunities with them;
- A large public health effort together with the biggest companies in the municipality.

Flen

Work is in progress to implement the proposed indicators in the municipality's governance document. The local action plan involves supplementing the municipality's governance document with a special instruction to the municipal director to draw up a concrete action plan aimed at supporting positive development of the approved indicators.

A few examples from Flen

Earlier efforts by Flen on environmentally friendly fuels that laid the groundwork for a local ethanol pump have been a contributing factor in a second petrol station's installation of an ethanol pump for competitiveness reasons. Thus two of the municipality's three petrol companies are selling ethanol.

We are working to give local food products a more visible profile – we want to put the focus on local food in the project Sörmland's Matkluster (Sörmland's Food Cluster) in which local food actors do indeed contribute to the county's development. There are a number of projects included in Sörmlands Matkluster, such as 'Food in Schools – A Good Resource)' and a book project, 'Sörmländsk Matsafari' (Sörmland's Food Safari) which is being published in autumn 2006.

An advanced vocational education (KY) has been designed in close cooperation with local companies but with a bottom-up perspective to provide local industry with a more highly skilled workforce. This training course will be offered for the second time beginning in October 2006.

To provide a stimulus to 'Landsbygdsutveckling' (Rural development), the municipal commissioner and business leaders have regular evening meetings with local committees, entrepreneurs and enthusiasts in the countryside.

In addition to 'Ung Företagsamhet' (Young Entrepreneurs), entrepreneurship is also stimulated in compulsory education in Flen by the project 'Nya Uppdraget' (New Assignment). Here teachers who are especially dedicated give inspiration to students.

Forum Flen, a new local business organisation, is an important speaking partner providing a dialogue with the municipality enabling it to keep abreast of the business community's needs and challenges.

After more than two years of cleanup work, the project 'Rena Bruket' (clean foundry) was concluded in Hälleforsnäs on 16 September 2006. A sum of SEK 80 million had then been used for cleaning polluted ground and buildings on the foundry property.

In its procurement activities, the Municipality tries to point out good examples in order to create opportunities for other actors, companies and private individuals, to find environmentally friendly alternatives. For

example, lawn mowing is procured from two actors, one with a traditional power mower and another, a local entrepreneur, with a horse-drawn mower.

The municipal housing firm is building 16 atrium houses having a cooperative tenancy right in Flen. The project is called Stjärnehagen and will provide the first apartment houses built in the municipality in ten years. The houses are easily accessible one-storey buildings and the aim is to increase turnover in the local housing market.

Appendix 2 – 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 3 – Indicators to monitor the employment guidelines

List of indicators for monitoring²³

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 | Men | Women |
|-------------------------------------|-------------------|-------------------|-------------------|
| 15-64 | 72.3 ^p | 74.3 ^p | 70.2 ^p |
| 20-64 | 77.9 ^p | 80.5 ^p | 75.2 ^p |
| 55-64 | 69.4 ^p | 72.0 ^p | 66.7 ^p |
| 15-24 | 38.7 ^p | 38.2 ^p | 39.7 ^p |
| 25-54 | 83.5 ^p | 86.1 ^p | 80.8 ^p |
| 55-59 | 79.5 ^p | 81.6 ^p | 77.3 ^p |
| 60-64 | 58.1 ^p | 61.8 ^p | 54.3 ^p |
| 65-69 | 13.0 ^p | 17.2 ^p | 8.9 ^p |

Note: p = provisional data.²⁴

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 | Men | Women |
|--------------------------|-------|-----|-------|
| Total | 0.3 | 1.1 | -0.5 |
| Agriculture (2003) | -1.4 | | |
| Industry (2003) | -2.1 | | |
| Service (2003) | 0.4 | | |

Source: Labour Force Survey and Quarterly Labour Force Data²⁵, Eurostat.

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 | Men | Women |
|---------------------------------------|-------------------|-------------------|-------------------|
| 15-74 | 7.5 ^p | 7.6 ^p | 7.4 ^p |
| 20-64 | 6.6 ^p | 6.8 ^p | 6.3 ^p |
| 15-24 | 21.9 ^p | 22.0 ^p | 21.8 ^p |
| 25-54 | 6.0 ^p | 6.0 ^p | 5.9 ^p |
| 55-59 | 3.9 ^p | 4.7 ^p | 3.0 ^p |
| 60-64 | 5.1 ^p | 6.0 ^p | 4.2 ^p |
| 65-69 | - | - | - |

Note: p = provisional data.

Source: Labour Force Survey Harmonised unemployment rate, Eurostat.

²³ If nothing else is stated all figures are yearly averages for 2005. The indicators 21.M1 is not included due to non-applicable data.

²⁴ Provisional data means that the results may differ from the structural indicator and that there is absence of adjustments for break in series due to changes in certain survey characteristic between 2004 and 2005.

²⁵ Quarterly Labour Force Data are comparable estimates based on the Labour Force Survey and ESA-95.

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 | Men | Women |
|----------------------------|-------------------|-------------------|-------------------|
| 15-64 | 78.2 ^p | 80.5 ^p | 75.9 ^p |
| 20-64 | 83.4 ^p | 86.4 ^p | 80.3 ^p |
| 15-24 | 49.9 ^p | 49.0 ^p | 50.8 ^p |
| 25-54 | 88.8 ^p | 91.7 ^p | 85.9 ^p |
| 55-59 | 82.7 ^p | 85.7 ^p | 79.7 ^p |
| 60-64 | 61.2 ^p | 65.7 ^p | 56.7 ^p |
| 65-69 | 13.1 ^p | 17.4 ^p | 9.0 ^p |

Note: p = provisional data.

Source: Quarterly Labour Force Survey, Eurostat.

17.M5 Growth in labour productivity

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

| Labour productivity (2004) | Total |
|----------------------------|-------|
| Per person employed | 4.1 |
| Per hour worked | 2.7 |

Source: ESA95, 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 | Total |
|--|-------|
| <u>Underperforming regions</u> | |
| - Employment | 0/8 |
| - Unemployment | 0/8 |
| <u>Share of workforce living in underperforming regions, %</u> | |
| - Employment | 0.0 |
| - Unemployment | 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 bracket, per cent.

| | Total | Men | Women |
|--------------------------|-------------------|-------------------|-------------------|
| Youth unemployment ratio | 11.5 ^b | 11.4 ^b | 11.5 ^b |

Note: b = break in series.²⁶

Source: Quarterly Labour Force Data.

²⁶ Break in series means that data lack comparability due to changes in certain survey characteristic between 2004 and 2005.

18.M2 Gender pay gap, Structural indicator

Women's salary as a percentage of men's salary, per cent.

| Gender pay gap | Total |
|------------------------------|--------------|
| <i>Unadjusted</i> | |
| - Total | 84 |
| - Private sector | 85 |
| - Public sector | 83 |
| <i>Adjusted²⁷</i> | |
| - Total | 92 |
| - Private sector | 91 |
| - Public sector | 96 |

Source: Wages, salaries and labour costs, Statistics Sweden.

18.M2 Gender pay gap (breakdowns and adjustment)

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 |
| - 25-54 | 18 |
| - 55-64 | 21 |
| <i>Educational attainment²⁸</i> | |
| - Low | 14 |
| - Medium | 16 |
| - High | 24 |

Source: European Community Household Panel, Eurostat.

18.M3 Pre-school and early childhood education, and care for school age children

Children in pre-school and early childhood education, and care for school age children as a proportion of all children in the same age group²⁹, per cent.

| Pre-school and early childhood education, and care for school age children | Public | Private |
|---|---------------|----------------|
| <i>1-3 year olds in pre-school activities</i> | 62.9 | 12.4 |
| <i>4-5 year olds in pre-school activities</i> | 80.7 | 15.7 |
| <i>6-9 year olds in school-age childcare</i> | 70.3 | 6.9 |
| <i>10-12 year olds in school-age childcare</i> | 9.6 | 1.2 |

Source: National statistics from the National Agency for Education.

²⁷ Differences between men and women in age, education, working hours, sector and occupational group are taken into consideration.

²⁸ Low=Less than upper secondary education; Medium= Upper secondary education completed; High=Upper tertiary education completed.

²⁹ Attendance at open after-school centres is not included in these data.

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 | Men | Women |
|--|-------|------|-------|
| <i>Average exit age from the labour force (2004)</i> | 62.8 | 63.1 | 62.4 |

Source: Labour Force Survey, Eurostat.

19.M1 Long-term unemployment rate

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

| | Total | Men | Women |
|------------------------------------|------------------|------------------|------------------|
| <i>Long-term unemployment rate</i> | 0.7 ^p | 0.8 ^p | 0.6 ^p |

Note: p = provisional.

Source: Quartely Labour Force Data, Eurostat.

19.M2 Preventative services

Share of young people/adult becoming unemployed in month X, still unemployed in month X+6/12, and not having been offered an action plan³⁰, per cent.

| Preventative service ³¹ | Total | Men | Women |
|---|-------|-----|-------|
| <i>Young people</i> | 1.6 | 1.8 | 1.3 |
| <i>Adults</i> | 2.6 | 2.7 | 2.4 |

Source: The National Labour Market Board (AMS).

19.M3 New start

Share of young people/adult becoming unemployed in month X, still unemployed in month X+6/12, and not having been offered a new start, per cent.

| New start ³² | Total | Men | Women |
|--------------------------------|-------|------|-------|
| <i>Young people</i> | 4.5 | 5.1 | 3.7 |
| <i>Adults</i> | 10.9 | 12.2 | 9.6 |

Source: The National Labour Market Board (AMS).

³⁰ Action plan is the only service included in intensive counselling and job-search assistance, LMP category 1, for Sweden.

³¹ Young people refer to men and women until the age of 24, adults refer to men and women in the age 25 and older.

³² New start refers to training, retraining, work experience a job or other employability measure.

19.M4 Activation of long-term unemployed

Number of long-term registered unemployed participants in an active measure (training, retraining, work experience or other employability measure) in relation to the sum of the long-term unemployed participants plus registered long-term unemployed (yearly averages). Broken down by types of measures and gender. (LMP categories 2-7), per cent.

| Activation of LTU ³³ | Total | Men | Women |
|---------------------------------------|-------|------|-------|
| <i>All</i> | 61.4 | 62.1 | 60.4 |
| <i>Broken down by type of measure</i> | | | |
| - Training | 18.2 | 16.3 | 20.9 |
| - Employment incentives | 17.4 | 18.4 | 15.9 |
| - Integration of disabled | 24.8 | 26.3 | 22.5 |
| - Start-up incentives | 1.0 | 1.1 | 1.0 |

Source: The National Labour Market Board (AMS).

19.M5 Labour market gaps for disadvantaged groups

Gaps on the labour market for disadvantaged groups³⁴ according to national definitions.

| Size of group in relation to the population, % | Total | Men | Women |
|--|-------------------|-------------------|-------------------|
| <i>Persons born outside Sweden</i> | | | |
| - Total | 15.1 ^b | 14.5 ^b | 15.7 ^b |
| - Within EU15/EEA | 4.4 ^b | 4.1 ^b | 4.6 ^b |
| - Outside EU15/EEA | 10.7 ^b | 10.4 ^b | 11.1 ^b |
| - Within EU25/EEA | 5.6 ^b | 5.1 ^b | 6.1 ^b |
| - Outside EU25/EEA | 9.5 ^b | 9.4 ^b | 9.6 ^b |
| <i>Disabled persons (2004)</i> | | | |
| - Total | 18.8 | 17.8 | 19.8 |
| - With reduced ability to work | 10.8 | 9.4 | 12.3 |

Note: b = break in series.

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 | Men | Women |
|---|--------------------|--------------------|--------------------|
| <i>Persons born outside Sweden</i> | | | |
| - Total | -9.1 ^b | -7.5 ^b | -10.5 ^b |
| - Within EU15/EEA | -1.6 ^b | -0.6 ^b | -2.2 ^b |
| - Outside EU15/EEA | -12.2 ^b | -10.2 ^b | -14.0 ^b |
| - Within EU25/EEA | -1.9 ^b | -0.3 ^b | -2.8 ^b |
| - Outside EU25/EEA | -13.4 ^b | -11.4 ^b | -15.4 ^b |
| <i>Disabled persons (2004)</i> | | | |
| - Total | -11.0 | -10.1 | -11.6 |
| - With reduced ability to work | -21.9 | -21.0 | -22.3 |

Note: b = break in series.

Source: Labour Force Survey, Statistics Sweden.

³³ Long-term registered unemployed (LTU) refers to persons that have been unemployed for more than 12 months.

³⁴ 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 | Men | Women |
|--------------------------------------|--------------------|--------------------|--------------------|
| <i>Persons born outside Sweden</i> | | | |
| - Total | -12.3 ^b | -11.1 ^b | -13.1 ^b |
| - Within EU15/EEA | -0.7 ^b | 0.1 ^b | -1.1 ^b |
| - Outside EU15/EEA | -17.0 ^b | -15.6 ^b | -18.1 ^b |
| - Within EU25/EEA | -1.6 ^b | 0 ^b | -2.5 ^b |
| - Outside EU25/EEA | -18.6 ^b | -17.2 ^b | -19.9 ^b |
| <i>Disabled persons (2004)</i> | | | |
| - Total | -11.3 | -10.2 | -12.1 |
| - With reduced ability to work | -22.5 | -21.4 | -22.9 |

Note: b = break in series.

Source: Labour Force Survey, Statistics Sweden.

19.M5 Unemployment rate gaps for people at a disadvantage

Difference in unemployment rates for disadvantaged groups³⁵ (according to national definitions) and the overall unemployment rate, in percentage points.

| Difference in unemployment rate | Total | Men | Women |
|--|-------------------|-------------------|-------------------|
| <i>Persons born outside Sweden</i> | | | |
| - Total | 5.3 ^b | 5.7 ^b | 4.8 ^b |
| - Within EU15/EEA | -1.1 ^b | -0.8 ^b | -1.3 ^b |
| - Outside EU15/EEA | 8.2 ^b | 8.7 ^b | 7.9 ^b |
| - Within EU25/EEA | -0.3 ^b | -0.3 ^b | -0.2 ^b |
| - Outside EU25/EEA | 9.1 ^b | 9.5 ^b | 8.7 ^b |
| <i>Disabled persons (2004)</i> | | | |
| - Total | 1.2 | 0.8 | 1.7 |
| - With reduced ability to work | 2.8 | 2.5 | 3.1 |

Source: Labour Force Survey, Statistics Sweden.

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

Unemployment rate gap between non-EU15 and EU15 nationals, in percentage points.

| | Total | Men | Women |
|------------------------------|-------------------|-------------------|-------------------|
| <i>Unemployment rate gap</i> | -9.5 ^b | -9.6 ^b | -9.3 ^b |

Note: b = break in series.

Source: Labour Force Survey, Statistics Sweden.

Unemployment rate gap between non-EU25 and EU25 nationals, in percentage points.

| | Total | Men | Women |
|------------------------------|-------------------|-------------------|-------------------|
| <i>Unemployment rate gap</i> | -9.2 ^b | -9.6 ^b | -8.8 ^b |

Note: b = break in series.

Source: Labour Force Survey, Statistics Sweden.

³⁵ 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.

19.M6 Poverty (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.

| Poverty (low wage) trap (2004) | Total |
|--|-------|
| <i>One earner couple with two children</i> | 100.0 |
| <i>Single parent with two children</i> | 54.5 |
| <i>Single person with no children</i> | 38.5 |

Source: OECD-Commission.

19.M7 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 (2004)</i> | 87.00 |

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 | Men | Women |
|--|-------------------|-------------------|-------------------|
| <i>Non-standard employment</i> | 36.4 ^b | 22.5 ^b | 50.1 ^b |
| <i>Part-time</i> | 24.7 ^b | 9.9 ^b | 39.5 ^b |
| - <i>Involuntary part-time</i> | 16.5 ^b | 20.2 ^b | 15.4 ^b |
| <i>Fixed-term employment</i> | 15.8 ^b | 13.9 ^b | 17.6 ^b |
| - <i>Involuntary fixed-term employment</i> | 68.7 ^b | 68.8 ^b | 68.7 ^b |
| <i>Self-employed</i> | 9.6 ^b | 13.8 ^b | 5.1 ^b |

Note: b=break in series.

Source: Labour Force Survey, Statistics Sweden.

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 | Men | Women |
|-----------------------------|------|-------|
| 2002 | 10.0 | 6.8 |
| 2003 | 9.5 | 6.7 |
| 2004 | 8.9 | 6.5 |
| 2005 | 8.8 | 6.5 |

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> | 0.3 |

Source: Eurostat.

22.M2 Taxation 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 (2004)</i> | 46.2 |

Source: Eurostat.

23.M1 Spending on human resources, Structural indicator

Total public expenditure on education as a percentage of GDP.³⁶

| | Total |
|---|-------|
| <i>Investment in human resources (2003)</i> | 7.47 |

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 | Men | Women |
|---|-------|------|-------|
| <i>Youth educational attainment level</i> | 87.8 | 86.6 | 89.0 |

Source: Labour Force Survey, Spring data, 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 | Men | Women |
|-------------------------------------|------------------|------------------|------------------|
| <i>Rate of early-school-leaving</i> | 8.6 ^p | 9.3 ^p | 7.9 ^p |

Note: p = provisional.

Source: Labour Force Survey, Eurostat

³⁶ The demographic structure should be taken into account in the analysis.

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 | Men | Women |
|--|--------------|------------|--------------|
| <i>Age group</i> | | | |
| - 25-64 | 34.7 | 29.9 | 39.7 |
| - 25-34 | 40.0 | 37.2 | 43.0 |
| - 35-44 | 35.9 | 31.1 | 40.9 |
| - 45-54 | 33.7 | 27.4 | 40.1 |
| - 55-64 | 28.2 | 22.8 | 34.1 |
| <i>Working status (25-64)</i> | | | |
| - Employed | 33.5 | 28.9 | 38.6 |
| - Unemployed | 30.8 | 25.5 | 38.1 |
| - Inactive | 48.5 | 47.2 | 49.3 |
| <i>Educational attainment³⁷ (25-64)</i> | | | |
| - Low | 21.5 | 18.8 | 25.6 |
| - Medium | 31.3 | 27.6 | 35.6 |
| - High | 47.4 | 42.9 | 50.7 |

Source: Labour Force Survey, Spring data, Eurostat.

³⁷ Low=Less than upper secondary education; Medium=Upper secondary education completed; High=Upper tertiary education completed.

List of indicators for analysis³⁸

17.A1 Employment rate in full-time equivalent

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 bracket, per cent.

| Employment rate in full-time equivalent | Total | Men | Women |
|---|-------|------|-------|
| 15-64 | 66.0 | 71.4 | 60.8 |

Source: Labour Force Survey, Spring data, Eurostat.

17.A2 Real GDP growth, Structural indicator

| | Total |
|---------------------------------|-------|
| Annual average of GDP growth, % | 2.7 |

Source: ESA95, DG ECFIN and Eurostat.

17.A3 Labour supply growth

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

| | Total | Men | Women |
|----------------------|------------------|------------------|------------------|
| Labour supply growth | 2.7 ^b | 2.9 ^b | 2.4 ^b |

Note: b = break in series.

Source: Quarterly Labour Force Data, Eurostat.

17.A4 Transition by employment status

Transition between employment, unemployment and inactivity from year 2003 to year 2004, per cent.

| Total | Status at 2004 | | | |
|----------------|----------------|------------|----------|-------|
| Status at 2003 | Employed | Unemployed | Inactive | Total |
| Employed | 96.1 | 1.3 | 2.6 | 100.0 |
| Unemployed | 24.2 | 55.6 | 20.2 | 100.0 |
| Inactive | 8.9 | 4.2 | 86.8 | 100.0 |

| Men | Status at 2004 | | | |
|----------------|----------------|------------|----------|-------|
| Status at 2003 | Employed | Unemployed | Inactive | Total |
| Employed | 96.4 | 1.4 | 2.2 | 100.0 |
| Unemployed | 24.6 | 57.0 | 18.4 | 100.0 |
| Inactive | 8.9 | 4.6 | 86.5 | 100.0 |

| Women | Status at 2004 | | | |
|----------------|----------------|------------|----------|-------|
| Status at 2003 | Employed | Unemployed | Inactive | Total |
| Employed | 95.8 | 1.2 | 3.0 | 100.0 |
| Unemployed | 23.7 | 53.8 | 22.5 | 100.0 |
| Inactive | 8.9 | 4.0 | 87.1 | 100.0 |

Source: Labour Force Survey, Statistics Sweden.

³⁸ If nothing else is stated all figures are yearly averages for 2005. The indicators 18.A6, 19.A3, 19.A5 and 20.A1 are not included due to non-applicable data.

17.A5 Regional disparities – coefficients of variation, Structural indicator

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

| Regional disparities (2004) | Total | Men | Women |
|------------------------------------|-------|-----|-------|
| <i>Employment</i> | 4.4 | 4.8 | 4.3 |
| <i>Unemployment</i> | | | |
| - Nuts II | 13.0 | | |
| - Nuts III | 15.7 | | |

Source: Labour Force Survey, Eurostat.

18.A1 Employment gender gap

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

| | Total |
|------------------------------|------------------|
| <i>Employment gender gap</i> | 4.0 ^b |

Note: b = break in series.

Source: Quarterly Labour Force Data, Eurostat.

18.A1 Employment gender gap

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 | -2.0 ^b |
| - 25-54 | 5.5 ^b |
| - 55-64 | 5.7 ^b |
| <i>Educational attainment</i> ³⁹ | |
| - Low | 10.4 ^b |
| - Medium | 5.7 ^b |
| - High | 1.0 ^b |

Note: b = break in series.

Source: Labour Force Survey, Eurostat.

18.A2 Employment gender gap in full-time equivalent

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> | 10.6 ^b |

Note: b = break in series.

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> | -0.2 ^b |

Note: b = break in series.

Source: Harmonised unemployment series.

³⁹ 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> | 27.4 ^b |
| <i>In sectors</i> | 21.6 ^b |

Note: b = break in series.

Source: Labour Force Survey, 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 | Men | Women |
|--|-------------------|-------------------|-------------------|
| <i>With children</i> | 82.8 ^b | 90.4 ^b | 75.7 ^b |
| <i>Without children</i> | 79.4 ^b | 80.4 ^b | 78.3 ^b |
| <i>Difference in percentage points</i> | 3.4 ^b | 10.0 ^b | -2.6 ^b |

Note: b = break in series.

Source: Labour Force Survey, Statistics Sweden.

18.A7 Care of dependent elderly

Share of population, 65-84 years old living in ordinary housing who needs and gets assistance every week, per cent.

| Lack of care services for dependant adults (2002) | Men | Women |
|--|------------|--------------|
| <i>Public assistance</i> | 3 | 6 |
| <i>Assistance from household member</i> | 7 | 7 |
| <i>Assistance from other family/friends</i> | 2 | 8 |

Source: Living Conditions Survey 2002 (ULF), Statistics Sweden.

18.A8 Transition by pay level

Transition between non-employment and employment and within employment by pay level from year 2003 to year 2004, per cent.

| Total | Status 2004 | | | | | |
|--|------------------------|------------------------|------------------------|--|-----------|-------|
| | 1 st decile | 2 nd decile | 3 rd decile | 4 th –10 th decile | Non-empl. | Total |
| Status 2003 | | | | | | |
| 1 st decile | 34.4 | 20.2 | 8.7 | 11.5 | 25.2 | 100.0 |
| 2 nd decile | 10.1 | 33.5 | 19.8 | 21.7 | 15.0 | 100.0 |
| 3 rd decile | 4.7 | 12.2 | 35.5 | 38.4 | 9.3 | 100.0 |
| 4 th –10 th decile | 0.9 | 2.2 | 4.0 | 89.7 | 3.1 | 100.0 |
| Non-employment | 10.4 | 4.2 | 2.0 | 2.9 | 80.5 | 100.0 |

| Men | Status 2004 | | | | | |
|--|------------------------|------------------------|------------------------|--|-----------|-------|
| | 1 st decile | 2 nd decile | 3 rd decile | 4 th –10 th decile | Non-empl. | Total |
| Status 2003 | | | | | | |
| 1 st decile | 37.0 | 24.1 | 8.2 | 8.1 | 22.6 | 100.0 |
| 2 nd decile | 10.2 | 35.8 | 20.9 | 18.0 | 15.0 | 100.0 |
| 3 rd decile | 3.4 | 11.4 | 43.6 | 33.8 | 7.9 | 100.0 |
| 4 th –10 th decile | 0.8 | 1.9 | 3.6 | 91.4 | 2.3 | 100.0 |
| Non-employment | 12.6 | 5.2 | 1.6 | 1.6 | 78.9 | 100.0 |

| Women | Status 2004 | | | | | |
|--|------------------------|------------------------|------------------------|--|-----------|-------|
| | 1 st decile | 2 nd decile | 3 rd decile | 4 th –10 th decile | Non-empl. | Total |
| Status 2003 | | | | | | |
| 1 st decile | 35.5 | 22.3 | 8.6 | 10.0 | 23.7 | 100.0 |
| 2 nd decile | 9.9 | 35.0 | 21.8 | 19.2 | 14.1 | 100.0 |
| 3 rd decile | 4.1 | 12.1 | 39.8 | 35.4 | 8.6 | 100.0 |
| 4 th –10 th decile | 0.8 | 1.9 | 3.4 | 91.1 | 2.7 | 100.0 |
| Non-employment | 11.4 | 4.6 | 1.9 | 2.3 | 79.7 | 100.0 |

Source: Statistics Sweden's labour statistics based on administrative sources (RAMS).

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 LTU ⁴⁰ | Total | Men | Women |
|-------------------------------|-------|------|-------|
| Young people | 6.7 | 7.7 | 5.6 |
| Adult | 12.5 | 13.9 | 10.9 |

Source: The National Labour Market Board (AMS).

19.A2 Activation

Number of participants in LMP measures (training, retraining, work experience or other employability measure)/in assisted activation programmes divided by the number of persons wanting to work (LFS unemployed plus labour reserve), per 100 persons wanting to work.

| | |
|--------------------|------|
| Regular activation | 51.9 |
|--------------------|------|

Source: LMP-database, European Labour Force Survey, Eurostat.

⁴⁰ 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.A6 Follow-up of participants in active 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 | Men | Women |
|---|-------------|-------------|-------------|
| <i>Total</i> | 37,9 (41.8) | 38.9(43.0) | 36.6 (40.4) |
| <i>Broken down by measure⁴¹</i> | | | |
| - <i>Training⁴²</i> | 33.6 (38.8) | 35.5 (41.0) | 31.5 (36.3) |
| <i>thereof employment training</i> | 72.4 (68.7) | 72.4 (68.6) | 72.3 (68.9) |
| - <i>Employment incentives⁴³</i> | 41.8 (44.6) | 41.5 (44.4) | 42.2 (44.7) |
| - <i>Integration of the disabled⁴⁴</i> | 23.9 (24.8) | 24.6 (25.4) | 22.6 (23.8) |
| - <i>Start-up incentives</i> | 78.9 (78.6) | 78.8 (78.2) | 79.1 (79.3) |

Source: The National Labour Market Board (AMS).

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

| Inflow into unemployment | Total | Men | Women |
|---|-------------|-------------|-------------|
| <i>Total (2004)</i> | 25.9 (20.8) | 26.5 (21.9) | 25.2 (19.5) |
| <i>Broken down by measure⁴⁵</i> | | | |
| - <i>Training⁴⁶</i> | 23.7 (19.4) | 23.9 (20.0) | 23.5 (18.6) |
| <i>thereof employment training</i> | 16.1 (17.0) | 17.4 (18.6) | 13.8 (14.0) |
| - <i>Employment incentives⁴⁷</i> | 28.8 (22.2) | 29.9 (23.7) | 27.4 (20.3) |
| - <i>Integration of the disabled⁴⁸</i> | 40.5 (35.0) | 41.2 (35.7) | 39.4 (33.8) |
| - <i>Start-up incentives</i> | 10.5 (9.5) | 10.6 (10.2) | 10.2 (8.5) |

Source: The National Labour Market Board (AMS).

19.A7 LMP expenditure

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

| Active and passive | Active | Passive | Total |
|---------------------------------|--------|---------|-------|
| <i>Expenditures as % of GDP</i> | 1.1 | 1.2 | 2.3 |

Source: The National Labour Market Board (AMS).

⁴¹ Breakdown based on the categories in the LMP database (Eurostat).

⁴² Computer/activity centres, employability rehabilitation programme, activities within counselling, guidance and placement services, projects with employment policy orientation, labour market training, preparatory training courses.

⁴³ General recruitment incentive, extended recruitment incentive, special recruitment incentive, work experience, municipal youth programme (youths under age 20), youth guarantee (youths aged 20-24).

⁴⁴ Wage subsidies, public sheltered employment. The remaining participants in these measures have been used as denominator instead of the number that left the measure.

⁴⁵ Breakdown based on the categories in the LMP database (Eurostat).

⁴⁶ Computer/activity centres, employability rehabilitation programme, activities within counselling, guidance and placement services, projects with employment policy orientation, labour market training, preparatory training courses.

⁴⁷ General recruitment incentive, extended recruitment incentive, special recruitment incentive, work experience, municipal youth programme (youths under age 20), youth guarantee (youths aged 20-24).

⁴⁸ Wage subsidies, public sheltered employment. The remaining participants in these measures have been used as denominator instead of the number that left the measure.

19.A8 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 |
|--------------------------------------|--------------------|
| <i>LMP services (category 1)</i> | 1.25 |
| <i>LMP measures (categories 2-7)</i> | 6.36 |
| <i>LMP supports (categories 8-9)</i> | 8.35 |
| <i>Total LMP expenditure</i> | 15.96 |

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

Source: LMP database, New Cronos, Eurostat.

19.A9 Labour reserve

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

| | Total | Men | Women |
|-------------------------------------|-------|-----|-------|
| <i>Labour reserve</i> ⁴⁹ | 5.4 | 5.1 | 5.6 |

Source: European Labour Force Survey, Spring Data, Eurostat.

19.A10 In-work-poverty risk

Individuals who are classified as employed⁵⁰ and who are at risk of poverty⁵¹ as a per cent of working population.

| | Total | Men | Women |
|------------------------------------|-------|-----|-------|
| <i>In-work-poverty risk (2001)</i> | 3 | 3 | 3 |

Source: European Community Household Panel (ECHP), Eurostat.

19.A11 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 | Men | Women |
|------------------------------------|-------------------|-------------------|-------------------|
| <i>Employment rate in services</i> | 55.0 ^b | 46.9 ^b | 63.3 ^b |

Note: p = provisional.

Source: Labour Force Survey, Eurostat.

20.A2 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</i> | 134 |

Source: Eurostat.

⁴⁹ 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.

⁵⁰ Distinguishing between “wage and salary employment plus self-employment” and “wage and salary employment” only.

⁵¹ Whose equivalised disposable income is below 60 per cent of national median equivalised disposable income.

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 | Men | Women |
|--|-------|-----|-------|
| <i>Share of persons who have performed illicit work during the year (2001)</i> | 6 | 8 | 3 |
| <i>The black sector as a share of GDP (2002)</i> | 4.5 | | |

Source: Tax Statistical yearbook of Sweden 2005.

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. Trends in average effective annual working time per employed person.

| Working time | Total | Men | Women |
|-----------------------|-------|------|-------|
| <i>Weekly average</i> | | | |
| 2000 | 40.0 | 40.2 | 39.7 |
| 2001 | 39.9 | 40.1 | 39.6 |
| 2002 | 39.9 | 40.1 | 39.6 |
| 2003 | 39.8 | 40.0 | 39.6 |
| 2004 | 39.9 | 40.0 | 39.6 |
| 2005 | 39.9 | 39.9 | 39.8 |
| <i>Annual average</i> | | | |
| 1999 | 1647 | | |
| 2000 | 1625 | | |
| 2001 | 1603 | | |
| 2002 | 1580 | | |
| 2003 | 1562 | | |
| 2004 | 1584 | | |

Source: Labour Force Survey, Spring Data, Eurostat and OECD.

21.A3 Hours of 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 | Men | Women |
|-------------------------------|-------------------|-------------------|-------------------|
| <i>Hours of overtime work</i> | 15.0 ^b | 18.6 ^b | 11.5 ^b |

Note: b = break in series.

Source: Labour Force Survey, Spring data, Eurostat.

21.A4 Occupational diseases

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

| Trends in occupational diseases | Men | Women |
|---------------------------------|-----|-------|
| 2002 | 4.4 | 6.1 |
| 2003 | 5.1 | 7.0 |
| 2004 | 4.2 | 5.7 |
| 2005 | 3.7 | 4.6 |

Source: The Work Environment Authority and Statistics Sweden.

21.A5 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> | 104.4 |
| <i>Per hour worked (2004)</i> | 102.1 |

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 (2004)</i> | 41.7 ^f |

Note: f = forecast.

Source: OECD-Commission.

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 (1999)</i> | 1.3 |

Source: CVTS, Eurostat.

23.A2 Participation in CVT

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

| | Total | Men | Women |
|------------------------------------|-------|-----|-------|
| <i>Participation in CVT (1999)</i> | 61 | 60 | 61 |

Source: CVTS, Eurostat.

