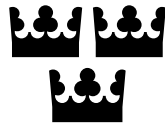


1

Guidelines for economic and budget policy



1 Guidelines for economic and budget policy

Building our society – responsibility, security and development

Over the past decade, Sweden has been growing apart. Gaps have widened and insecurity has increased. Large tax cuts have taken precedence over investments in education and welfare, and unemployment has been allowed to become far too high. As a result, the Swedish people have chosen building our society over tax cuts and cutbacks. Our commitment to building our society is producing results: Unemployment is being pushed down, schools are employing thousands more, Sweden is leading climate transition and welfare services are being strengthened. Sweden's economy is performing strongly.

We want Sweden to be a country that keeps together in equality, development and work. Everyone who can work must work. Sweden must compete on the basis of knowledge and skills - not low wages. Every child must be taken on its thirst for knowledge. Climate impact must continue to decrease. Sweden is to be one of the world's first fossil-free welfare nations. The people who flee to Sweden and have grounds for asylum should not just find security. Their potential and knowledge must be put to use. Our welfare system must be strengthened so that people who are free and secure can continue to build a strong Sweden together.

The Swedish model is unique and has made Sweden an example for the world to follow. It consists of high-quality universal welfare services, an active labour market policy, good readjustment insurance systems and strong

social partners that independently negotiate collective agreements, terms and conditions.

The way we build our society makes it possible to combine growth and equality, development and security, good conditions for employees and few labour conflicts, work and family life, solidarity and self-fulfilment.

The way we build our society also contributes to greater equality between women and men. At the same time, our social model requires effective tax collection, a comparatively high level of taxation, good order in the public finances, a high degree of organisation among employees and employers, participation and personal responsibility on the part of individuals.

With the Swedish model as a foundation and modernisation as a tool, we are building a sustainable society, where no one is left behind and no one is held back.

This bill and the bill Spring Amending Budget for 2016 are based on an agreement between the government parties and the Left Party.

Economic situation

The Swedish economy is performing very strongly. The growth rate in 2015 was just over 4 per cent, which is well above the average in Sweden over the past 20 years. The growth rate was also very high compared with that of many other countries, including the US and Germany. Unemployment fell significantly in 2015 and is now at around 7 per cent. This is the lowest level of unemployment for seven years. Youth unemployment and long-term unemployment also decreased significantly in 2015. However,

even if developments in the labour market are positive, unemployment remains far too high.

The international economic recovery is expected to continue. However, a number of signs indicate that recovery is slower than expected. Growth in the US is slowing down and the financial markets are once again showing signs of stress. For a small, open country like Sweden, a slowdown in the international economy would lead to weaker growth.

Good order in the public finances is essential to guarantee stable financing of the common welfare system and enable an active labour market policy to be pursued in a weaker economic situation. Sweden's public finances gradually deteriorated in the previous electoral period and in 2014 the general government sector recorded a deficit of SEK 61 billion. The former Government implemented extensive unfunded permanent tax cuts even though the economic situation was improving. These tax cuts primarily benefited people with high incomes. This policy was not sustainable. The current Government has therefore adjusted fiscal policy along more responsible lines and the deficits have fallen sharply since the Government took office in 2014. The large number of people seeking asylum in Sweden in 2015 and the major investments being made to enable newly arrived people to quickly establish themselves in society and the labour market entail temporary costs that weaken general government net lending in the short term.

Sustainable reception and effective introduction

Millions of people around the world are fleeing wars. In 2015, 163 000 people sought asylum in Sweden. This is the highest number of asylum seekers in Sweden's modern history. It is roughly six times as many asylum seekers as the average in Sweden since the Balkan wars in the 1990s and considerably more than most other EU countries received relative to the size of their population. We have reason to be proud of this humanitarian contribution. Sweden is also contributing humanitarian assistance in Syria's neighbourhood and supporting the peace process.

The number of people who fled from war and oppression to Sweden in the second half of 2015 was greater than our reception capacity could manage all at once. The Government has therefore proposed changes in migration policy,

including temporary border and ID controls. These measures have been effective. Measures are also required to make it easier for newly arrived people to become established in the Swedish labour market more quickly. The focus now is on everyone, whether newly arrived in Sweden or unemployed, being able to find a job and contribute to the building of our society.

Sweden must take its share of responsibility for the difficult refugee situation, but Sweden and a handful of other countries cannot take on asylum reception for the entire EU. Efforts to ensure that the EU Member States take their responsibility in the ongoing humanitarian disaster are continuing.

As more people seek asylum, more asylum cases end in rejection. This makes the work associated with return and refusal of entry more demanding. Returns and refusals of entry are needed to maintain regulated immigration and to free up resources in the asylum reception system. The Swedish Police and the Swedish Migration Agency will be allocated additional resources to manage the increased workload.

The Government is enhancing efforts to give those who have fled to Sweden good conditions to quickly find a place in Swedish society. While this is a great challenge, a successful process of introduction offers significant potential benefits. Work is the key to the introduction of newly arrived people in Sweden. Work provides opportunities to develop Swedish language skills, gain a knowledge of Swedish society and make new personal contacts. Swedish for Immigrants (SFI) has been reformed and the Government is setting aside resources to enable asylum seekers to begin to learn Swedish as quickly as possible.

Many newly arrived people have education, training and experience in areas where there are labour shortages. The Government has therefore invested in measures for enhanced validation and, together with the social partners, has presented several 'fast track' schemes in shortage occupations. Other groups of newly arrived people lack relevant vocational education and training. In addition to investments in adult education, the Government intends to broaden the trainee jobs and vocational introduction employment schemes to include newly arrived people. The Government will present further measures to speed up the introduction of newly arrived people to the labour market.

The Government needs to manage all dimensions of the refugee situation. The proposals in the bill Spring Amending Budget for 2016 will make the reception system better and more efficient, improve introduction and pave the way for improved return activities.

Unemployment must fall

The Government's economic policy is guided by the objective to achieve the lowest unemployment rate in the EU by 2020. This objective is to be reached by increasing the number of women and men working and the number of hours worked in the economy. It is an ambitious objective and poses a great challenge for policy. Despite a positive trend, far too many people have a weak attachment to the labour market. This applies in particular to people with relatively little education and training and people who have recently arrived in Sweden. Since many people sought asylum in Sweden in 2015, a large number of new Swedes with widely varied abilities and prospects will be entering the labour market over the next few years. This poses a further challenge to achieving the Government's ambitious objective. The need for policies to get more people into jobs has become even greater. The Government is following developments closely and will present additional measures so that Sweden achieves the lowest unemployment rate in the EU.

To increase employment and reduce unemployment, we need to invest in Sweden. Investments in job creation will be made under the Government's jobs agenda. This consists of three parts: investments in education and training and an active labour market policy; investments in housing and infrastructure; and an active enterprise policy for more and growing companies. Welfare investments are also a core element of the Government's jobs policy.

To get more people into jobs, we need to improve opportunities for education and training, and enhance matching activities so that people have the knowledge, competencies and skills the labour market demands. The need for action is clear, given that labour shortages in several areas coincide with high unemployment among people with relatively little education and training. The Government has launched a new adult education initiative. The current steps, when fully deployed, will offer more than 50 000 places in education and training in municipal

adult education, vocational adult education, popular adult education, higher education and vocational higher education. The Government also intends to make municipal adult education courses that qualify participants for higher education a right for everyone from 2017 onwards. In our Sweden, every individual's resources and desire to contribute must be turned to account. The first question put to an unemployed person must not be how much they can lower the price of their labour, but how much they can raise the value of their knowledge.

Youth unemployment showed a clear decrease in 2015 and is at roughly the same level as before the financial crisis. As more and more people across a broad range of youth groups are finding jobs, the Government is primarily focusing its efforts on the young people who are furthest from the labour market.

Long-term unemployment showed a clear decrease in 2015 and is the lowest in the EU for adults. However, far too many people are still affected by long periods of unemployment. The Government is discontinuing phase 3 of the job and development guarantee programme. Those who are currently in phase 3 will instead be assigned to activities that enhance employment prospects. The Government will present measures to further decrease long-term unemployment.

Investments in infrastructure and housing improve opportunities to live anywhere in Sweden, and to commute and move to where the jobs are. The Government is raising the level of ambition in the area of infrastructure and has made major investments in railway maintenance and investments in public transport in rural areas.

The Government sees major advantages in high-speed rail. However, cost estimates for high-speed rail have increased sharply and unexpectedly.

Infrastructure investments demand a long-term approach. The Government therefore intends to submit a bill containing proposals on financial frameworks for a national plan for 2018–2029. The housing shortage impedes an efficient labour market and makes it difficult, particularly for young people and newly arrived people, to find a place to live. The shortage of rental accommodation is particularly problematic, as this plays an important role in an

inclusive labour market and an efficient housing market. The Government is implementing the largest housing policy investment for 20 years, while having discussions with the Left Party, the Moderate Party, the Centre Party, the Liberal Party and the Christian Democrats on reforms that can further improve housing provision in the future.

Sweden has a competitive economy and has long been ranked high in international surveys of competitiveness and innovation. However, in recent years, Sweden has lost ground. Digitisation is a significant agent of change in our time and affects all areas of society. Digitisation brings both challenges and opportunities to enhance welfare and increase growth. An active enterprise and innovation policy throughout the country will improve the business climate, enabling more companies to start up and giving existing companies greater opportunities to grow. The Government has appointed an innovation council answering directly to the Prime Minister, with the ongoing task of identifying measures that can strengthen innovative capacity in Sweden.

In addition to this, the Government has presented three important reforms. One of these is a new structure that significantly improves access to state venture capital to supplement venture capital available on the market. The Government has also adopted a new strategy for increased exports and a strategy for reindustrialisation in Sweden. The Government also intends to present a national food strategy in 2016. The Government is preparing a higher education, research and innovation bill for presentation later this year.

Equitable knowledge-based education and time for each pupil

Central to building our society is an equitable school system that gives every child the opportunity to develop. If Sweden is to compete in the global economy on the basis of knowledge and skills, Swedish schools must perform better. School lays the foundation for the individual to proceed to further education and become established in the labour market. School also lays the foundation for active participation and a society that does not reproduce the inequities of the preceding generation. The Government's objective for education policy is equitable knowledge-based education in schools where the

teachers have time for every pupil. International surveys show that learning outcomes in Swedish compulsory school have deteriorated over a long period and that this trend has accelerated in recent years. Segregation and differences in educational attainment between schools have increased over the past ten years. This trend must be broken and school performance must be improved. The compensatory role of school must be reinforced. The Government has therefore made increased investments in education a priority. The school and pre-school systems have received additional allocations totalling SEK 8.3 billion for 2016. The main focus is on boosting learning outcomes by enhancing the attractiveness of the teaching profession, early intervention and greater equity in education. The Government has implemented a stimulation package for higher salaries for teachers that can give approximately 60 000 teachers a substantial increase in salary from 1 July 2016. Measures are also being taken to enable teachers to devote a larger proportion of their working hours to teaching. To create a more level playing field for children, priority is being given to special needs teachers and early intervention. Special resources have been channelled to schools with low learning outcomes. The Government's objective is for all young people to start and complete upper secondary education. This includes those now entering the Swedish school system during the later stages of compulsory school or at upper secondary school age.

Climate is the defining issue of our time

Sweden is to be one of the world's first fossil-free welfare nations. Climate change is the Government's top environmental priority. At the UN climate change conference in Paris in 2015, all 193 member states agreed on a new global and legally binding climate agreement. In September 2015, UN member states adopted the 2030 Agenda with its 17 Sustainable Development Goals. For the first time, these goals combine responsibility for the environment and climate with social and economic development. The countries have undertaken to work for the achievement of the goals by 2030.

The key to reducing global climate emissions is for richer countries to lead the way by reducing their emissions and developing and

sharing solutions, while developing countries are given support in adapting to climate change. Sweden is making its national climate policy more stringent and reducing emissions. The Government has taken new measures to reduce greenhouse gas emissions in Sweden in the years until 2020 and beyond.

The Government's policies take central government climate investments in Sweden and internationally up to a level of SEK 4.5 billion in 2016. Investments are being made in four areas in particular: renewable energy, fossil-free travel and local and international climate investments. The Government is stepping up efforts to increase the impact of environmental taxes. In line with this and to achieve the goal of a fossil-free vehicle fleet, the energy tax on petrol and diesel was raised in 2016. The Bonus–Malus Inquiry has instructions to propose a system that rewards environmentally sound vehicles with relatively low emissions of carbon dioxide while imposing higher taxes on vehicles with relatively high emissions of carbon dioxide. The Road Wear Tax Committee has instructions to analyse ways of designing a distance-based road wear tax for heavy goods vehicles, which the Government aims to introduce. The Government's objective is to put rules in place as quickly as possible in this electoral period that provide long-term sustainable and stable conditions for biofuels. Work on implementing and, looking to the future, further developing urban environment agreements with a focus on sustainable transport in urban areas remains a priority. The system of investment support for local climate measures – the 'Climate Leap' – helps to increase climate investments and makes an important contribution to efforts to achieve the environmental objectives.

The Government considers that the energy system, in the long term, must be based on 100 per cent renewable energy. The Government has implemented measures to promote the development and establishment of solar cells, set up a new national forum for smart electricity grids and raised the level of ambition in the electricity certificate system. The Government wants to achieve a more circular economy based on reuse and recycling.

Environment and climate issues need to continue to be integrated into the policy areas where the incentives and solutions for environmental problems are found. The

Government is monitoring developments closely and will present measures to attain the environmental objectives.

Stronger welfare system and increased equality

The Government's objective is that everyone will benefit from Sweden's growth and prosperity. Publicly financed welfare services, such as childcare, elderly care, education and health care, are at the heart of the Swedish model. The universal welfare system contributes to cohesion and equality in society. The welfare system must be strengthened.

Welfare services also make it possible for more people to work more and contribute to high labour force participation among both women and men. Another key feature of the Swedish model is public social insurance systems based on a loss-of-income principle and a qualifying period of work. These have strengthened the adaptability of the Swedish economy and contributed to a more equitable distribution of economic resources. As is shown in Annex 2, however, social insurance payments have decreased in value relative to general wage development. The Government intends to monitor these developments closely.

The fight against inequality is important in building our society. Income gaps have been increasing over a long period of time. One of the goals of the 2030 Agenda concerns equality. One of the targets under this goal is, by 2030, to progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average. The Government is producing an action plan to achieve this target and will monitor developments on the basis of the plan.

In a functioning welfare society illness or unemployment must not lead to economic vulnerability. The Government has therefore raised the ceiling and the basic level of compensation in the unemployment insurance system. The Government has also abolished the maximum time limit in the sickness insurance system, which resulted in many sick people losing their compensation. Reforms are still needed to boost the incomes of the most vulnerable members of society.

All elderly people must feel safe and secure in their everyday life and housing should be adapted to their needs. The Government will monitor this closely.

The previous Government gave lower taxes precedence over welfare. Investments in the welfare system have long been neglected. The Government prioritises building a society in which welfare is strengthened and opportunities are made to employ more people in welfare services.

Promoting equality between women and men

The overall objective of the Government's gender equality policy is equal power for women and men to shape society and their own lives. Gender equality is ultimately a question of justice and democracy. Policies must redistribute power and resources so as to give women and men the same scope and opportunity to earn their own living, decide how to use their own time and participate in decisions that affect their own lives and the development of society. The current differences between women's and men's conditions and incomes are unacceptable. The Government takes the view that the gender equality perspective must be taken into account in all areas of policy-making, while special initiatives are taken to increase equality between women and men.

To improve equality in the labour market, the Government has introduced a third month reserved for each parent in the parental benefit system. The objective is a completely gender-equal use of parental leave and to this end, the Government has appointed an inquiry. The Government is also continuing initiatives in the welfare system that have a particular influence on women's opportunities to work, such as increased staffing in elderly care and childcare during unsocial working hours. This is important to improve the conditions of women's lives.

Building our society takes precedence over large tax cuts

The Government gives building our society higher priority than further tax cuts and cutbacks. Our Swedish social model is the best foundation for a strong future Sweden characterised by equality and development. It must not be dismantled through cuts in welfare spending, a policy that widens the gaps, or central government intervention in wage formation. With the Swedish model as a foundation and modernisation of society as a tool, we are tackling the challenges of today and tomorrow. We are developing the qualities that

make Sweden unique, and are seeking opportunities for cooperation to continue towards greater growth, gender equality and sustainability.

Proposals in the Government Bill 'Spring Amending Budget for 2016' in response to the current situation

Table 1.1 shows the measures that the Government is proposing in the Government Bill Spring Amending Budget for 2016 to facilitate the introduction of newly arrived people, improve people's opportunities to obtain education and work, maintain law and order, manage the return of individuals who do not obtain residence permits, and strengthen efforts to combat racism and xenophobia to protect our open and democratic society.

Table 1.1 Government measures in view of the current situation in the world

SEK million	2016
Swifter introduction of newly arrived people	
Skills assessment of asylum seekers	90
Swedish for Immigrants, Swedish as a second language and digital training package	50
Assessment of foreign qualifications	22
Fast tracks for newly arrived entrepreneurs	18
Support for school premises	100
Further education for unqualified teachers	30
Increased funding to municipalities for newly arrived people with special needs	80
Increased funding for reception of unaccompanied minors	30
Refugee guides for asylum seekers	25
Other measures for swifter introduction	75
Open and democratic society	
Library initiative for democracy	11
Strengthened efforts to combat racism and xenophobia in Swedish schools	10
Pro-democracy activities against hate and threats	11
Other measures to promote an open and democratic society	12
Increased resources to manage domestic security	
Additional funding to support the police's increased workload	250
Increased security at asylum centres	150
Enhanced anti-terrorism efforts, funds to the Swedish Security Service	10
Returns – enforcement of refusal of entry and expulsion orders	
Increased resources to the Swedish Police Authority	33
Increased resources to the Swedish Migration Agency for travel costs for people who have been refused entry or expelled	20
Total	1 027

1.1 High growth rate in Sweden

The Swedish economy performed very strongly in 2015. The GDP growth rate was just over 4 per cent, which is well above the average of 2.6 per cent in the period 1993–2015. Exports and investments grew more than expected in 2015. The economy recovered rapidly and the labour market situation improved. Employment growth was high and unemployment decreased considerably in 2015.

Strong recovery and falling unemployment

GDP growth is expected to be high in 2016 as well. As resource utilisation rises, GDP growth is expected to slow down somewhat in 2017. Relatively high growth in household consumption, large investments in the service sector, not least housing investments, and a positive contribution from foreign trade are expected to drive GDP growth in the coming years. Strong growth in general government consumption expenditure is expected, due to demographic trends, asylum reception and government initiatives in health care, education and social services.

The labour market situation clearly improved in 2015. Employment grew strongly and unemployment decreased substantially. Unemployment is expected to continue to decrease in 2016 and 2017. The strong demand in the economy is expected to lead to a faster increase in employment than in the labour force. The increase in employment is expected to be strong in the municipal sector. Business services and the construction industry are also expected to see a good rate of increase in employment.

The large number of people seeking asylum in Sweden is expected to initially increase demand in the economy and contribute to a reduction in unemployment in the short term. However, as more of the newly arrived people enter the labour force the fall in unemployment is expected to tail off from 2018 onwards. The forecast unemployment is based on the reforms the Government has implemented thus far. The Government will propose further measures to ensure that unemployment continues to decrease (see sections 1.3 and 1.4).

Resource utilisation rose in 2015 and is expected to be balanced in 2016, measured by the GDP gap. Indicators show increased labour

shortages while unemployment has decreased. This indicates that resource utilisation is rising in the labour market. The overall assessment is, however, that the situation in the labour market as a whole is still not strained. It is primarily in the public sector where shortages are high, while the percentage of companies in the business sector experiencing labour shortages only slightly exceeds the average level.

Inflation has been low for a long period. Despite recent strongly expansionary monetary policy, inflation remains low. This is in part due to low energy prices and low resource utilisation. Another contributory factor is that expectations of future inflation are at a relatively low level.

Table 1.2 Macroeconomic key figures

Percentage change unless otherwise stated. Outcome for 2015, forecast for 2016–2020

	2015	2016	2017	2018	2019	2020
GDP ¹	4,1	3,8	2,2	1,8	2,1	2,9
GDP ^{1,2}	3,8	3,5	2,5	2,0	2,2	2,7
GDP gap ³	-0,9	0,2	0,5	0,3	0,0	0,0
Employed ⁴	1,4	1,7	1,6	0,8	0,7	0,9
Employment rate ⁴	66,7	67,1	67,5	67,2	67,0	67,0
Hours worked ²	1,0	1,9	1,7	0,7	0,7	1,0
Productivity ^{2,5}	2,6	1,7	0,7	1,3	1,4	1,7
Unemployment ⁶	7,4	6,8	6,3	6,4	6,5	6,6
Hourly wages ⁷	2,4	3,1	3,3	3,4	3,4	3,4
CPI ⁸	0,0	0,9	1,6	2,3	3,2	3,2
CPIF ⁸	0,9	1,3	1,8	2,0	2,1	2,0

¹ Constant prices, reference year 2014.

² Calendar adjusted.

³ Difference between actual and potential GDP in per cent of potential GDP. Potential GDP cannot be observed and thus no outcome is recorded.

⁴ Aged 15–74.

⁵ Value added to base price per hour worked.

⁶ As a percentage of the labour force aged 15–74.

⁷ Measured by short-term wage statistics.

⁸ Annual average.

Note: The forecast is based on reforms implemented to date.

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

Slow recovery in the rest of the world

Economic growth in the world economy was subdued in 2015. Growth did not pick up and recovery was sluggish. The beginning of 2016 has been characterised by financial stress with major fluctuations on world stock markets. Uncertainty about the stability of Chinese growth and clearly weaker economic development in many commodity-dependent economies contributed to uncertainty in financial markets. Signs of weakening economic

growth in many advanced economies have also fuelled financial stress.

However, low interest rates and stronger investment growth, particularly in the euro area, are expected to contribute to continued economic recovery in the world. This is an important prerequisite for continued positive growth in the Swedish economy.

In the euro area, which is Sweden's most important export market, growth is expected to continue at a relatively slow rate, even though recovery is taking place in more countries and covers more sectors than before. However, unemployment is expected to be high and inflation low.

Recovery continued in the USA in 2015. Strong employment growth contributed to a good rate of growth in household consumption. However, there are signs of a slowdown in GDP growth. Low interest rates are nevertheless expected to help maintain growth at a moderate level going forward. Growth in China is expected to weaken further somewhat in coming years, but is then expected to stabilise at a continued high level compared with many other countries.

Strengthened public finances

Public sector finances showed an improvement of 1.6 per cent of GDP between 2014 and 2015. Since coming into office, the Government has pursued a responsible economic policy. Apart from that, the improvement is explained by the strong economic recovery and a number of temporary factors. The temporary factors refer to an extra tax payment of SEK 15 billion and the repayment by AFA Insurance of premiums of SEK 5 billion to the municipal sector.

In 2016 and 2017 costs referring to asylum seekers will increase. The financial deficit is therefore expected to increase up until 2017. General government net lending is expected to reach balance in 2019. In 2020 the sector is expected to report a surplus of 0.7 per cent of GDP.

As a result of good GDP growth and the Government's fiscal policy, the debt ratio is expected to gradually decrease during the forecast period. The debt is expected to be 36.9 per cent of GDP in 2020.

Table 1.3 Consolidated general government finances

SEK billion

Outcome 2015, forecast 2016-2020.

	2015	2016	2017	2018	2019	2020
Income	2 033	2 131	2 234	2 336	2 444	2 555
<i>Per cent of GDP</i>	<i>48,9</i>	<i>48,6</i>	<i>48,9</i>	<i>49,2</i>	<i>49,3</i>	<i>49,1</i>
Taxes and charges	1 792	1 893	1 986	2 077	2 167	2 262
<i>Per cent of GDP</i>	<i>43,1</i>	<i>43,2</i>	<i>43,5</i>	<i>43,7</i>	<i>43,7</i>	<i>43,5</i>
Other income	241	239	248	258	277	293
Expenditure	2 033	2 151	2 264	2 353	2 439	2 520
<i>Per cent of GDP</i>	<i>48,9</i>	<i>49,0</i>	<i>49,6</i>	<i>49,5</i>	<i>49,2</i>	<i>48,4</i>
Net lending	0	-19	-31	-17	4	35
<i>Per cent of GDP</i>	<i>0,0</i>	<i>-0,4</i>	<i>-0,7</i>	<i>-0,4</i>	<i>0,1</i>	<i>0,7</i>
<i>Central government</i>	<i>-0,1</i>	<i>-0,2</i>	<i>-0,2</i>	<i>0,2</i>	<i>0,7</i>	<i>1,3</i>
<i>Old-age pension system</i>	<i>0,2</i>	<i>0,0</i>	<i>-0,1</i>	<i>-0,2</i>	<i>-0,1</i>	<i>-0,1</i>
<i>Local government sector</i>	<i>-0,1</i>	<i>-0,3</i>	<i>-0,4</i>	<i>-0,4</i>	<i>-0,5</i>	<i>-0,5</i>
<i>Structural net lending as percentage of GDP</i>	<i>0,2</i>	<i>-0,2</i>	<i>-0,7</i>	<i>-0,5</i>	<i>0,0</i>	<i>0,8</i>
Consolidated gross debt	1 805	1 864	1 876	1 912	1 936	1 922
<i>Per cent of GDP</i>	<i>43,4</i>	<i>42,5</i>	<i>41,1</i>	<i>40,3</i>	<i>39,1</i>	<i>36,9</i>

Sources: Statistics Sweden and own calculations.

Uncertain economic development

There is great uncertainty about economic developments in the world economy, not least in the euro area. There is a risk of lower growth in China and important export markets, such as Norway and Finland. There are also geopolitical risks linked to conflicts in the Middle East and Ukraine, many people fleeing to Europe and threats of terrorism. If the geopolitical situation becomes worse, the global economic recovery may be inhibited, which would impact a small open economy such as Sweden extensively.

Further stress on financial markets may impair the development of the real economy. The coming British referendum on continued EU membership implies a risk in this respect.

The number of asylum seekers coming to Sweden increased rapidly in 2015 and the Swedish Migration Agency's latest scenarios show a relatively high number of asylum seekers in the coming years. However, there is a high level of uncertainty in the Swedish Migration Agency's assessment. There is uncertainty both about wars and conflicts in the world and about the effects of the Government's measures in

Sweden, as well as the extent to which work at EU level will achieve results. Assumptions made concerning the number of asylum seekers are highly significant for the assessment of the macroeconomic situation.

Estimated unemployment for the end of the forecast period is based on a balanced economy. This means that unemployment and equilibrium unemployment will then be at the same level. Equilibrium unemployment is difficult to assess. The combined reforms implemented so far by the Government are estimated to lead to lower equilibrium unemployment. At the same time, the increasing number of newly arrived people entering the labour force is expected to increase equilibrium unemployment, since people who have been in Sweden for a short time have a lower employment rate. Uncertainty about the reforms' degree of impact, along with the difficulty of assessing the number of people who will seek asylum in Sweden in coming years, increases the uncertainty of unemployment forecasts up to 2020.

Another uncertainty regarding economic forecasts concerns the extent to which the municipal sector, which already has staff shortages in many occupational categories, will be able to recruit a sufficient number of people. If the municipalities and county councils fail to recruit sufficient numbers, it may lead to lower general government consumption and lower staffing ratios, compared to the forecast. On the other hand, if the municipal sector can adapt its operations and recruit the staff needed it may lead to higher general government consumption and growth than in the forecast.

Yet another uncertainty in the forecasts is household indebtedness and housing prices, which are at high levels from a historical perspective. Rapidly rising housing prices increase the risk of a rapid price drop. Together with increased indebtedness, this means that households are more vulnerable to macroeconomic shocks than before. A rapid drop in housing prices would mean a risk of reduced household consumption, which may have negative effects on growth and employment.

Economic inequality in the world also poses a risk that may affect economic development. In Sweden the percentage of people with a low economic standard has increased. Research shows a connection between economic growth

and income dispersion. Wider income dispersion has a negative correlation with long-term growth.

Climate change and climate policy will affect the global economy. There are risks linked to more unpredictable weather and the transition to a more fossil-free economy. This requires change. Sweden's large financial sector is less exposed to fossil-heavy sectors than many other countries. However, Sweden is a small, export-dependent country that is impacted by the rest of the world. The Swedish economy and financial sector will therefore be affected by climate-related risks in the future. Finansinspektionen (the Swedish Financial Supervisory Authority) recently presented an analysis of these risks.

Development of new welfare measurements

The GDP measure is normally used to assess how welfare is developing. Since GDP measures the value of a country's total output, it is only one of several possible welfare indicators. The development and conditions of the economy and welfare depend partly on the amount of resources created and partly on how they are distributed, used and managed. The Government will therefore develop a framework for welfare indicators that supplement GDP to illustrate the long-term sustainability of the economy and people's quality of life based on economic, social and ecological aspects.

The work of developing supplementary welfare indicators is in progress in the Government Offices. Statistics Sweden has presented a pre-study proposing long-term sustainability indicators for Sweden. These indicators are to be linked partly to the national environmental quality objectives and the generational goal, and partly to the UN's new agenda for sustainable development, which establishes that economically sustainable development must build on social welfare and equality, respecting planetary boundaries. The indicators must, where possible, take into account gender equality. The report from the Inquiry on quality of life measures (Swedish Government Official Reports SOU 2015:56) has been circulated for comment. The Inquiry's proposals and the views of the referral bodies will be taken into consideration in the

Government's work to draw up quality of life indicators.

Instructions to Statistics Sweden to draw up indicators for new measures of welfare are now being prepared in the Government Offices. The instructions stipulate that Statistics Sweden is to consult relevant expert agencies and take into account other ongoing work in the area. The assignment is to result in a number of indicators to be presented in the 2017 Spring Fiscal Policy Bill. Table 1.4 presents a number of preliminary indicators that can illustrate the long-term sustainability of the economy.

Table 1.4 Preliminary indicators for new measures of the long-term sustainability of the economy

Dimension	Preliminary indicators
Economic sustainability	Productivity growth
	Employment
	Unemployment
	GDP
Social sustainability	Income dispersion
	Educational level
	Trust in others and trust in social institutions
	Healthy life years (self-assessed physical health and life expectancy at birth)
Ecological sustainability	Consumption-based emissions
	Percentage of watercourses that do not achieve "water quality of good ecological status"
	Priced emissions
	Chemicals hazardous to health (REACH)

1.2 Stable conditions for economic policy

Stronger public finances

Both general government net lending and structural net lending deteriorated severely under the former Government. At the beginning of the financial crisis an expansionary fiscal policy was justified. However, the previous Government continued to implement extensive unfunded tax reforms, mainly tax cuts, despite the improving economic situation. This contributed to the substantial deficit in general

government finances and an increasing distance to the target of net lending of 1 per cent of GDP over a business cycle.

The main purpose of tax policy is to fund common welfare, various public services and other public expenditure. Tax policy, in addition to ensuring good and stable tax revenues, must also create the conditions for sustainable growth, a high employment level, fairly distributed welfare and contribute to an environmentally and socially sustainable society. Since the Government came into office, fiscal policy has been adjusted along more responsible lines, which reduced the deficit considerably between 2014 and 2015.

Strong general government finances gave greater opportunities to manage the exceptionally large number of people seeking asylum in Sweden in autumn 2015. The Government considered that in that situation there was a need to create better economic conditions for the municipal sector and support civil society organisations. In view of this, the Government proposed further budget amendments in the central government budget for 2015, equivalent to SEK 11 billion. All Riksdag parties apart from the Sweden Democrats supported the proposal and its funding via increased borrowing (Government Bill 2015/16:47, Committee Report 2015/16:FiU18, Riksdag Communication 2015/16:93).

The large number of asylum seekers means unforeseen and in the short term inevitable expenditure increases. It is important that the Government has substantially reduced deficits to be able to meet such developments without cutbacks or tax increases. The major expenditure increases require continued good order in general government finances. To manage the uncertainty regarding expenditure linked to the number of asylum seekers the Government has taken measures to ensure sufficient margins under the expenditure ceiling, such as introducing expenditure restrictions and bringing forward expenditure to 2015.

Ensuring good margins under the expenditure ceiling also in the next few years will require cost control in all areas. This applies in particular to the areas where there is a risk of rapid increases in costs. If there is a risk of exceeding the expenditure ceiling, the Government will take the measures necessary.

Net lending must again achieve balance and surplus. It is important to build up margins to meet future economic downturns. This applies particularly in a situation where the possibility of pursuing a considerably more expansive monetary policy is limited and there are considerable risks associated with global developments.

Consequently, continued strengthening of net lending is necessary. In 2020 the public sector is expected to report a surplus of 0.7 per cent of GDP. Net lending will be reinforced during the forecast period. Short-term deviations, mainly due to increased costs of migration, are not necessarily a reason to take budget consolidating measures in the near future. The pace at which net lending should be corrected should, in accordance with the fiscal policy framework, proceed from an overall assessment based on stabilisation, distribution and structural policy premises. Public debt is relatively low and confidence in Sweden's public finances is high. Consequently, net lending can be corrected at a pace that safeguards economic balance without jeopardising sustainability or confidence in public finances.

A major part of future growth in general government finances will depend on migration developments. It will be a particularly significant challenge to finance the costs generated by a substantial increase in the number of asylum seekers in 2015 in an economically responsible way. It is reasonable to handle exceptional events such as natural disasters or a very high number of refugees without the requirement of short-term budget consolidation. Therefore, consideration should be given to the increased costs of migration when determining the direction of fiscal policy.

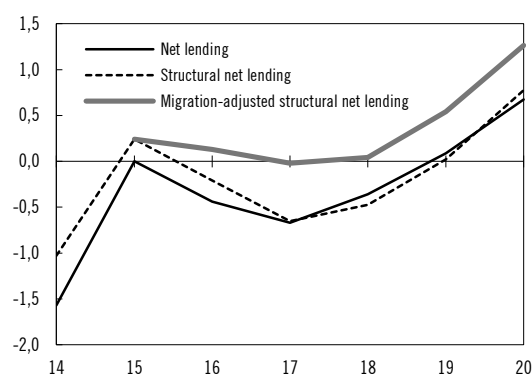
This should only be done, however, if it is deemed probable that the increase in the number of asylum seekers is temporary. If the number of asylum seekers is expected to be at a high level for a longer period, fiscal policy must be adapted to the new expenditure level, which would require reduced expenditure or increased income going forward. The Government's forecasts are based on the Swedish Migration Agency's medium scenario that implies fewer asylum seekers per year in 2016–2019 than in 2015. Thus a considerable part of the expenditure associated with migration and introduction of newly-

arrived people in the coming years will be of a temporary nature.

The Swedish Migration Agency's estimates are highly uncertain. The numbers of asylum seekers will have great significance for the direction of future fiscal policy. The impact on fiscal policy of the unusually high migration figures in 2015 can be illustrated by a migration-adjusted structural net lending (see figure 1.1). This migration-adjusted structural net lending further adjusts structural net lending for general government net expenditure directly linked to the unusually high number of asylum seekers in 2015. There is no obvious method for such a calculation. In the example calculation here migration-adjusted structural net lending achieves a surplus of 1.3 per cent in 2020.

Figure 1.1 Migration-adjusted structural net lending 2014–2020

Per cent of GDP



Note: In the estimate of migration-adjusted net lending, direct costs of migration and integration in excess of the double average cost (1991–2014) as a percentage of GDP have been excluded. The estimate includes application against the development assistance framework and effects on the revenue side of the budget.

Estimate of the expenditure ceiling for 2019 and 2020

The expenditure ceiling constitutes an upper limit for the central government budget expenditure level. It enables the Riksdag and Government to better control and direct expenditure. The Riksdag's decision on the expenditure ceiling is one of the tools for giving the budget process its central medium-term perspective.

The Government estimates that the expenditure ceiling level for 2019 should be SEK 1 392 billion. This is the same estimate of the level of the expenditure ceiling for 2019 as in the 2015 Spring Fiscal Policy Bill and in the Budget

Bill for 2016, excluding budget amendments that justify technical adjustments. The Government estimates that the expenditure ceiling level for 2020 should be SEK 1 466 billion. The estimate for 2019 means that the level of the expenditure ceiling in 2019 will increase by SEK 60 billion compared with 2018, while the estimate for 2020 means an increase of SEK 74 billion compared with 2019. The estimated level of the expenditure ceiling for 2020 means that the expenditure ceiling's share of potential GDP will increase somewhat compared with 2019.

The estimated levels of the expenditure ceiling allow an increase in expenditure during the electoral period to enable the reforms the Government gives priority to in coming Budget Bills. Allowing a margin under the expenditure ceiling does not mean per se that it will be used for reforms that increase ceiling restricted expenditure.

Table 1.5 Expenditure ceiling levels 2016–2020

SEK billion unless otherwise stated

	2016	2017	2018	2019	2020
Expenditure ceiling determined by the Riksdag	1 215	1 274	1 332		
The Government's estimate of the expenditure ceiling				1 392	1 466
Expenditure ceiling, per cent of potential GDP	27,8	28,0	28,1	28,0	28,2
Ceiling-restricted expenditure	1 194	1 264	1 296	1 335	1 357
Budgeting margin	21	10	36	57	109
Budgeting margin, per cent of ceiling restricted expenditure	1,8	0,8	2,8	4,2	8,1
Budgeting margin, per cent of GDP	0,5	0,2	0,8	1,1	2,1
Net lending in the public sector, per cent of GDP	-0,4	-0,7	-0,4	0,1	0,7

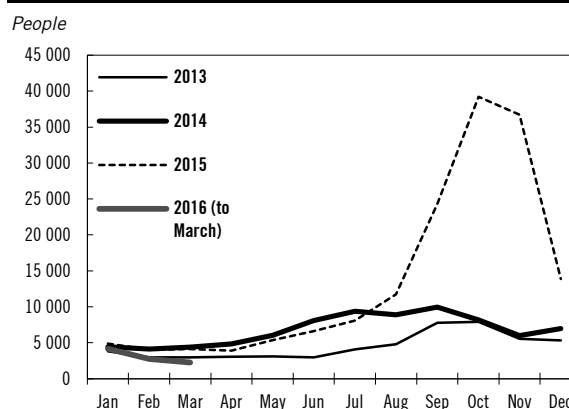
1.3 Sustainable reception and effective introduction

Not since the Second World War have there been so many refugees in the world. The conflict in Syria has continued unabated and the immediate region around Syria is under increasing pressure from a growing number of displaced people. In 2015, 1.3 million people

sought refuge in the EU. Sweden is contributing humanitarian assistance in Syria's neighbourhood and supporting the peace process in Syria.

In 2000–2010 Sweden's asylum reception was relatively stable; on average 26 000 people per year sought asylum in Sweden, about 1 000 of whom were unaccompanied minors. In 2014 there was a clear increase in the number of asylum seekers, but the number was expected to fall from 2015 onwards. In autumn 2015 the number of asylum seekers instead increased dramatically (see figure 1.2). In all, 163 000 people sought asylum in Sweden in 2015. Of these, just over 35 000 were unaccompanied minors. Never before has Sweden borne such a great responsibility for displaced people. It poses a historical challenge to the Swedish reception system and to society as a whole.

Figure 1.2 Number of asylum seekers per month 2013–2016



Note: Preliminary figures for March 2016.
Source: Swedish Migration Agency.

The Swedish Migration Agency was under severe pressure in autumn 2015 and the service is still under great strain. The large number of unaccompanied minors increased the need for accommodation places. Many people made considerable efforts, which facilitated the processing of the large number of asylum seekers over a short period. This shows what society can achieve when many people rally to help.

The large number of asylum seekers of course also implies a challenge to many welfare services, with an increased need for schooling and other welfare services. The already strained situation in social care for children and young people, schools, Swedish for immigrants as well as health and social services, became worse. A number of amendments to the rules have offset the

organisational and logistical challenges that arose, making reception more difficult. Work is continuing to improve capacity and organise reception effectively. Many municipalities have been unable to meet the requirements set and have therefore reported their service under the Lex Sarah provisions.

It is difficult for municipalities to substantially increase their staffing in the short term. This limits their ability to extend services and capacity. There are already shortages in several occupational groups and it takes many years for people to complete relevant training. This applies to social workers and teachers in compulsory schools, upper secondary schools, Swedish for immigrants and other adult education. But it also applies to staff in health care and social services and other welfare services. Part of the work to solve current staffing shortages is to support employment of various forms of teaching assistants and to facilitate introduction of newly arrived people through such things as improved validation, mapping and fast tracking. To strengthen welfare, it is important that municipalities are given better long-term economic and planning conditions.

In autumn 2015 the number of people who made for Sweden to escape war or oppression posed a very great challenge. Sweden's reception of newly arrived people must be effective and enable them to become established in society. This requires orderly and regulated immigration and safeguarding of the right of asylum. It also requires measures to facilitate swifter introduction of newly arrived people into the Swedish labour market.

In October 2015 the Government made an agreement with the Moderate Party, the Centre Party, the Liberal Party and the Swedish Christian Democrats concerning measures for asylum reception. Thereafter, the Government took further measures of a temporary nature to reduce the number of people seeking asylum in Sweden and to improve the capacity of asylum reception. The focus now lies on enabling everyone, both newly arrived people and unemployed people, to find work and contribute to building our society.

The EU has not succeeded in managing the refugee situation

The EU and its Member States have so far failed to manage the refugee situation. The lack of joint responsibility in the EU has led to a small number of Member States having to receive a very large number of asylum seekers. These include Sweden, Austria and Germany. Other Member States must contribute much more.

In 2015 ambitious joint approaches were expressed, but implementation has so far been a disappointment. In September 2015 Member States agreed that 160 000 asylum seekers would be relocated from Italy and Greece to other Member States. To date, however, very few people have been relocated. The Government is working to ensure that the EU implements approved initiatives. The support for a permanent relocation mechanism in future emergency situations is weak among the EU Member States.

All Member States must comply with joint EU regulations concerning asylum until there is another regulatory framework to address. The asylum seekers who come to the EU must know that they will receive protection if they need it. EU Member States must take responsibility to a greater extent to meet their commitments and relieve the Member States to which a large number of displaced people have come. The EU must safeguard the right of asylum and EU law.

Sweden cannot alone shoulder such a great responsibility in future. Other Member States must show more solidarity towards displaced people.

Reception measures

The large number of people seeking asylum in Sweden has led the Government to take a number of measures. On 12 November 2015 the Government introduced temporary border controls at internal borders. On 4 January 2016 the Government also introduced temporary rules on identity controls between Denmark and Sweden.

Many asylum seekers and newly arrived people are received in the Skåne region. The Government has initiated a dialogue with the region on how approved resources can be used to further strengthen economic growth in the

region. A reasonable principle is also that the carriers should receive compensation for the increased costs due to identity controls. The Government is investigating the possibilities of introducing such compensation, for example in relation to the EU state aid rules.

As more people seek asylum, more asylum cases end in rejection. To meet the need for an effective process of return, the Government proposes in the Spring Amending Budget Bill for 2016 that the Swedish Migration Agency be allocated more resources. The Police Authority will also be allocated further funds for this purpose in 2016. The agencies are to place return coordinators at relevant missions abroad where cooperation needs to be reinforced. The Swedish Migration Agency's coordinators must also follow developments and conditions for maintaining human rights in the return countries.

Conflict prevention in the rest of the world

Sweden has a long tradition of generous and ambitious development assistance and is seen internationally as a major aid donor. Sweden is an important actor and through its development cooperation activities has created better conditions for people living in poverty and oppression. Through international development cooperation Sweden helps to prevent conflicts and combat the underlying reasons for violence and oppression that force people to flee.

The Government has an increased focus on peace-building and state-building through support to political processes in fragile and conflict-affected countries. In these processes, the participation of women, youth and civil society is emphasised. Initiatives are also implemented to strengthen fundamental institutions for legal certainty and public services. In autumn 2016 a new strategy for humanitarian development cooperation will be drawn up. The strategy will underline the importance of flexible, fast and effective development cooperation, based on humanitarian needs and principles. The strategy involves cooperation with development actors and other relevant actors, such as civil society.

Tax evasion is an extensive problem in developing countries. It impedes countries' development and makes poverty reduction more

difficult. Transparency of multinational companies' operations and tax authorities' powers to obtain information must be improved.

Reception must be more effective

A number of measures are required for sustainable reception. The capacity of municipalities to participate in orderly reception of asylum seekers and newly arrived people is crucial. Effective reception requires all municipalities to contribute and responsibility to be shared fairly. As of 1 March 2016 all municipalities must share in the responsibility for housing newly arrived people. For more evenly distributed reception of unaccompanied minors seeking asylum between municipalities the Swedish Migration Agency has been instructed to draw up a new assignment model.

The additional resources totalling SEK 10 billion to municipalities, county councils and civil society proposed in the Extra Amending Budget for 2015 (Govt. Bill 2015/16:47) may also be used to maintain and improve reception. The Government has also increased the standard compensation paid by central government to municipalities for reception of newly arrived people by 50 per cent. This increases municipalities' ability to provide practical support at the time of reception and housing new arrivals. The standard school rate for asylum seekers has also been increased by 50 per cent.

The Government is closely monitoring the Swedish Migration Agency's work on housing provision for asylum seekers to ensure that the agency is adequately equipped to carry out its remit. It is important that more central government actors are prepared.

It should be easy to settle into Swedish society. The Government is therefore preparing various simplifications to the rules. Effective interaction between agencies can make it easier for individuals. The processing time for asylum applications is to be shorter. That time must be used and inactivity discouraged. Civil society and adult education play an important part here. It should be possible to use the capacity and resources that exist for early action for asylum seekers. The Government has enabled measures to increase skills in Swedish already during the asylum period through adult education, which already in 2015 started to offer asylum seekers

preparatory language measures at accommodation centres.

The Swedish Migration Agency is responsible for arranging employment for asylum seekers. The Government considers that the current division of responsibility for initiatives during the asylum process is not appropriate. The Government considers that in future the County Administrative Boards should be responsible for coordinating and organising early action to facilitate the introduction of asylum seekers into society. The Government proposes in the Spring Amending Budget Bill for 2016 that adult education be allocated increased funds for study associations' initiatives aimed at enhancing asylum seekers' knowledge of the Swedish language and Swedish society. In addition, it is proposed that adult education be allocated funds in 2016 for equivalent initiatives by folk high schools through the Swedish National Council of Adult Education. It is also proposed that the Swedish Public Employment Service be allocated funds to be able to offer skills assessment for asylum seekers.

The Government also proposes that funds be allocated for refugee guides that can provide civic information that emphasises the importance of gender equality and democracy. To increase understanding of gender equality and children's rights in Swedish society the Government has initiated a knowledge drive for newly arrived young people.

The large increase in the number of unaccompanied minors in 2015 poses a major challenge to the municipalities. It is important to safeguard quality and security when receiving unaccompanied minors and young people. At the same time, the Government must take responsibility for ensuring that the formulation of regulations takes into account municipalities' circumstances and leads to effective use of tax revenues.

The Government considers that the current system of compensation to municipalities for reception of unaccompanied minors and young people is not appropriate. The Government will present proposals to simplify the regulations, improve municipalities' planning conditions, reduce the administrative burden and increase cost-effectiveness. Unaccompanied minors who reach the age of 18 during the asylum process should normally be covered by the Swedish Migration Agency's reception system.

Compensation for reception of unaccompanied minors and young people should to a greater extent than at present be at standard rates. The Government intends to allow the municipalities better opportunities to find cost-effective accommodation suitable for the individual needs of the unaccompanied persons. This leads to greater flexibility in municipalities' reception.

The Government also intends to present an action plan for continued support to the work of the social services with this group, as well as other children and young people in need of support.

Better and swifter introduction

Work is the key to the introduction of newly arrived people in Sweden. Work provides opportunities to develop Swedish language skills, gain knowledge of Swedish society and expand networks. The period of introduction for newly arrived people is, however, far too long and many of them have jobs that are below their competence level. The Government considers that there is a great need for measures to utilise the potential of new arrivals and speed up establishment in the labour market.

The Government has implemented improvements in Swedish for Immigrants (SFI) by adapting instruction to each student's individual needs and background. It is important that this flexibility is implemented in reality and that the municipal adult education authorities in SFI work to offer instruction at times that are adapted to student's needs. To further improve the opportunities of young people, the Government intends to make it possible to undertake SFI studies as part of the job guarantee for young people.

Many newly arrived people have education, training and experience in areas where there are labour shortages. For the newly arrived people who have an education or occupational experience in demand in the labour market, the Government and the social partners have initiated extensive efforts to shorten the time before finding a job. Up to now fast tracks have been presented for several occupations, such as chefs, teachers, nurses and physicians. More fast tracks will be presented. An important component of the fast track is that validation and practical work experience can be started

before completion of SFI studies and that the Swedish studies are adapted to the occupational requirements. The Government has also intensified the work of validation and carried out an extensive reinforcement of supplementary education programmes. This makes it possible for people with a foreign education to get a Swedish qualification or be eligible to practice their occupation in Sweden.

Facilities for validation and fair and effective assessment of foreign education must continue to improve. In the spring Amending Budget Bill for 2016 the Government proposes that the Swedish Council for Higher Education and the National Board of Health and Welfare be given further resources to improve and develop assessment of foreign education. To further strengthen support to the validation work of the municipalities, the Government intends to instruct the National Agency for Education in 2016 to develop guidelines for support to validation for newly arrived people with completed or partially completed upper secondary education.

Many newly arrived people only have pre-upper secondary education. Great competition for jobs without specific educational requirements means a great risk of future unemployment. Consequently, initiatives are required to better utilise their experience, develop their skills and increase employers' willingness to employ. The Government's extensive initiatives in formal and adult education have great significance for enabling people with little education to achieve the skills in demand in the labour market. Adult education is also significant for people who need to supplement a foreign upper secondary education. The Government is also investigating the possibilities of better adapting vocational programmes for adults to newly arrived people with little previous education. Young people recently arrived should start and complete an upper secondary programme to prevent unemployment. The Government's objective is for all young people to start and complete upper secondary education. This includes those now entering the Swedish school system during the later stages of compulsory school or at upper secondary school age.

Making it easier to combine work and education can help get new arrivals into work faster. The Government therefore intends to

make trainee jobs open to newly arrived people. The Government also intends to extend support for work introduction jobs for newly arrived people.

There is a need to improve introduction activities to get more people into work. The proportion of individuals with a job or participating in ordinary education after completing introduction activities is just under one third. Investigatory work is in progress in the Government Offices to simplify and improve the effectiveness of introduction activities through reduced administration and increased individualisation.

The number of participants in introduction activities is expected to increase considerably in the coming years, which will make great demands on the Swedish Public Employment Service. It is important that the Service is equipped to manage this and to work effectively.

The Government considers that there is a need for more measures to utilise the skills of newly arrived people, for example by encouraging entrepreneurship. More jobs are also needed that match the education of newly arrived people. In the Spring Amending Budget Bill for 2016 funds are proposed for a fast track aimed at making it easier for newly arrived people with business experience to start companies in Sweden.

To facilitate introduction of newly arrived people into the labour market, cooperation between the actors concerned is important. Consequently, the Government is positive towards the increased cooperation emerging between municipalities, agencies, companies and civil society.

The Government's work to speed up introduction of new arrivals to the labour market will continue and in the 2017 Budget Bill the Government will propose further measures.

A Sweden that keeps together

Sweden is and has long been a nation that is open and receptive to knowledge, culture, lifestyles and innovations from the rest of the world. This openness has made a positive contribution to diversity, pluralism and Sweden's development. However, there is a risk that people of different backgrounds are meeting to a decreasing extent. Social, economic and

geographical gaps are widening in Sweden. This risks creating polarisation and mistrust between people. There are forces in Sweden that are trying to set different groups in the population against each other, and that regard people with backgrounds from other countries as the main problem in society. Racism in society is a great problem and must be opposed in every way. There are worrying developments as regards radicalisation and violent extremism.

The Government considers it important to oppose polarisation, racism and similar forms of hostility in order to create the conditions for a society of solidarity and cohesion in Sweden. An economic policy to reduce unemployment, to increase economic equality and for a living countryside is of crucial importance for a country that is to keep together.

The open society, in which a variety of outlooks, opinions and perspectives can be expressed must be safeguarded. Democratic public dialogue is best protected through preventive measures against hate and threats. The Government therefore proposes a campaign in the Spring Amending Budget Bill for 2016, "A Sweden that keeps together". The Government considers that the work of the municipalities against violent extremism and against racism and xenophobia in schools should be augmented. Knowledge should be acquired about growing hate and threats in society. Libraries are important meeting places and the Government therefore proposes that resources be allocated to support the activities of public libraries and purchasing literature etc. The Government will also allocate funds for preparedness for managing crises of a racist nature, to enable more organisations in civil society to participate in the work against racism and regional projects on democracy, tolerance and human rights under the leadership of the Living History Forum.

1.4 Unemployment must fall

The Swedish model consists of high quality universal welfare services, active labour market policy, good readjustment insurance systems and strong social partners. The Swedish model is based on everyone playing a part. It has created the conditions for high growth and

employment. It has also laid the foundations for a society that keeps together and is characterised by equality.

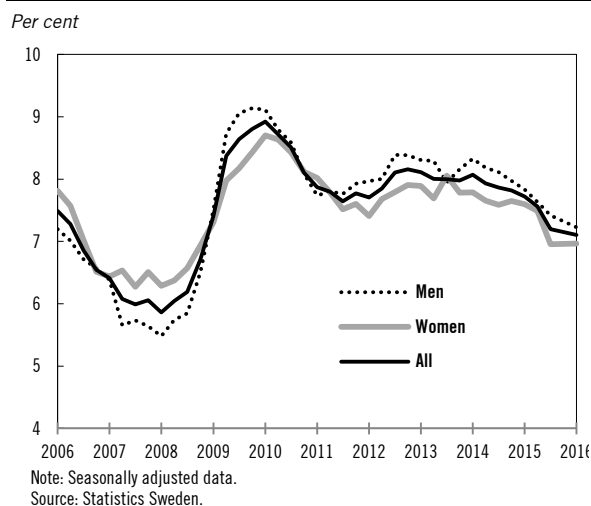
When building our society, everyone's willingness to work is to be turned to account. When more people are in work, income gaps narrow and conditions are created to strengthen welfare. When women and men participate in working life on the same terms and under the same conditions, gender equality can be achieved. For individuals, work means a community and a sense of belonging, as well as the power to shape their lives. Unemployment must be combated, both for individuals and society as a whole.

Lowest unemployment in the EU by 2020

Economic policy must help to reduce unemployment and increase employment. The Government's objective is that Sweden will have the lowest unemployment in the EU in 2020. It is an ambitious objective and makes high demands on policy.

The Swedish labour market is developing strongly (see figure 1.3). Unemployment decreased considerably in 2015 for both women and men. This development was particularly positive for young people. Long-term unemployment also decreased considerably.

Figure 1.3 Unemployment, ages 15-74, 2006-2015



But unemployment is still at too high a level and the positive development is still not shared by everyone. Unemployment is unevenly distributed and far too many people continue to have significant difficulties in finding a firm attachment to the labour market. People with short education who have been in Sweden for a

short time run a particularly high risk of becoming unemployed.

The increased number of people seeking asylum in Sweden initially contributes to higher demand in the economy. A larger population leads to higher growth and employment, but also entails great challenges. It takes time for newly arrived people to become established in the labour market and unemployment on average is higher among people born outside Europe. The large number of people seeking asylum means that many who have been in Sweden for a short time will enter the labour force. In a few years' time this is expected to mean a tailing off of the downturn in unemployment. However, Sweden has a higher employment rate among foreign born people than the EU has on average for its entire population.

The lower unemployment objective is formulated in relation to the evolution of unemployment in other EU countries. Going forward, Sweden's relative position will be affected by the composition of the population, but also by economic growth and formulation of policy in Sweden and other EU countries.

For a long time, Sweden has been receiving considerably more asylum seekers in relation to its population than most EU Member States. Asylum seekers have a lower expected employment rate than labour immigrants, for example. The number of people in the population who were born outside Europe is expected to grow considerably in the coming years. A greater percentage of the labour force will be made up of people who have been a short time in Sweden. Thus there are several factors that will affect Sweden's unemployment in relation to other EU countries a few years ahead.

Recent developments and forecasts for the future mean that even greater requirements will be made of political measures to achieve the lowest unemployment in the EU in 2020. This strengthens the need for continued education and labour market policy measures to get people with a weak attachment to the labour market into jobs. There are many important tasks that need to be done. Economic policy can help increase people's opportunities of finding work. An important priority is for new arrivals to become established faster in the Swedish labour market (see section 1.3).

Reducing unemployment and increasing employment requires measures in several policy areas. The Government therefore has a broad jobs agenda. It consists of three main parts: investments in increased skills and an active labour market policy; investments in housing and infrastructure; and an active enterprise policy for more and growing companies.

Investments in universal welfare are also an important element of the Government's jobs policy. The universal welfare services enable more people to work more and contribute to high labour force participation and higher employment, not least among women. Consequently, it is important to continue investing to enable more people to be employed in the welfare sector (see section 1.7). The resources allocated to the municipal sector through government grants and other reforms since the change of government have created scope to employ 20 000 more people in the welfare sector.

The Government intends to present proposals for Sweden to take further steps towards the objective of EU's lowest unemployment in 2020.

The Swedish model in the labour market

The Swedish model in the labour market has contributed to a high level of welfare and a high employment rate. A central part of this model is strong social partners who negotiate wages and conditions. A high rate of organisation among employees and employers creates stability, responsibility and openness to change. The high level of coverage of collective agreements paves the way for good working conditions and wages. The Swedish industrial relations system is characterised by few conflicts and for the past 20 years has contributed to good real wage growth, while maintaining international competitiveness. Public procurements must not contribute to social dumping. Procurement requirements must be in line with Swedish collective agreements.

The Government stands up for the Swedish model in the labour market and rejects the idea of the State legislating on lower wages.

Skills enhancement measures and active labour market policy

While unemployment is high, there are many employers who cannot find people with the skills they need. There is a shortage of labour in some sectors. These are mainly occupations that require post-upper secondary education or qualifications from upper secondary vocational programmes, above all in public sector activities, the construction industry and the field of engineering. If women and men are to be able to take the jobs that are emerging there must be continued investment in education and training, competencies and skills that match the needs of the labour market. Matching in the labour market needs to be improved.

The Government has launched a new and broad adult education initiative. The current steps, when fully deployed, will offer more than 50 000 study places. This is a long-term initiative for more places and improved quality in upper secondary education and post-upper secondary education for adults. As part of the initiative the Government also intends to introduce a right to municipal adult education studies that qualify for higher education from 2017. The Government has also initiated a review of how regional adult vocational training can better meet the needs of the labour market.

The Government will analyse how recruitment needs in shortage occupations can be met.

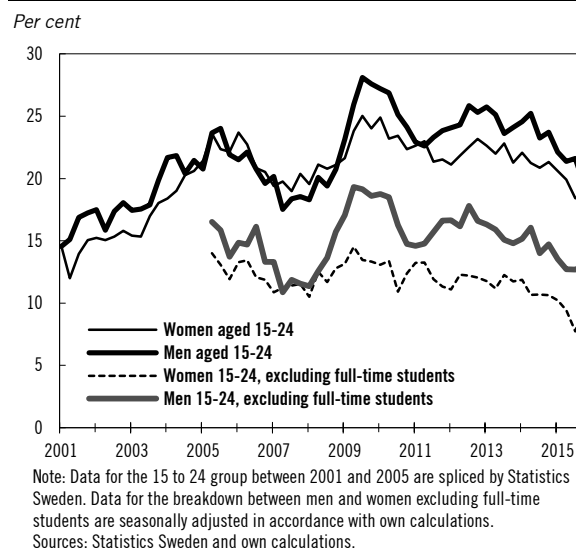
Active labour market policy also contributes to lower unemployment by helping the unemployed to seek and find work, for example through labour market training, practical work experience and subsidised employment. Through targeted measures, active labour market policy can improve opportunities for people at risk of long-term unemployment or who have been unemployed for a long time. The labour market policy resources and programmes must make a better contribution to gender equality and counteract gender segregation in the labour market. On behalf of the Government the Swedish Public Employment Service has drawn up an action plan for gender mainstreaming its activities. The Service makes regular gender equality analyses of different labour market policy initiatives. The Government monitors the effect of measures implemented.

Good contacts with employers is key to enabling the Public Employment Service to improve matching in the labour market. The Government considers that the Public Employment Service should intensify and develop contacts with employers aimed at making the Service a qualified partner in the employers' recruitment process. This work is expected to lead to increased inflow and greater variation of vacant jobs to which unemployed people can be matched. It is of decisive importance that employers report vacant jobs to the Public Employment Service so that people with no network of contacts have better access to them.

Jobs and education for unemployed youth

Youth unemployment decreased considerably in 2015 and is now about 19 per cent. This is by and large the same level as before the financial crisis. Many young people study full time while seeking work. If they are excluded, the youth unemployment rate is just over 11 per cent. This is the lowest level since 2002. Long-term unemployment among young people is low also from an international perspective. The same applies to the percentage of young people neither working nor studying.

Figure 1.4 Youth unemployment 2001–2015



Despite the favourable development in the labour market there are still far too many young unemployed people. No young person should start adult life in long-term unemployment. Longer periods of unemployment while young may affect later chances of gaining a permanent attachment to the labour market. The

Government has therefore taken the 90-day guarantee initiative. The guarantee entails an upper limit on how long a young person can be unemployed before he or she is offered a job, a measure that leads to a job or education. To make the 90-day guarantee possible there are initiatives for trainee jobs, which combine work with relevant vocational education, and education contracts, which are intended to support young people in completing an upper secondary programme.

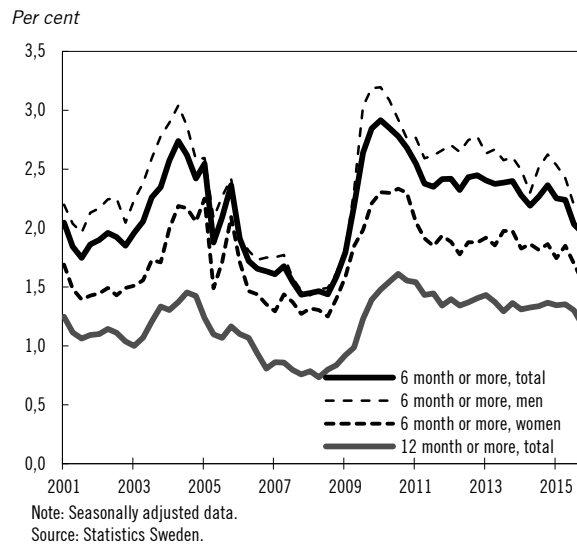
The Government gives priority to initiatives for young people who are particularly detached from the labour market. Among young people with incomplete upper secondary education, unemployment is very high; 36 per cent, and the risk of future long-term unemployment is great. A combination of work and study is an effective way of getting more young people without upper secondary education to complete their studies. Consequently, the Government considers that employment of young people with incomplete upper secondary education in trainee jobs must also be made possible.

The trainee jobs are a tool for employers' strategic skills provision and can contribute to continued reduction in youth unemployment. Municipalities and county councils are important actors and the Government is keen to improve cooperation between the central and municipal government sectors. It is therefore positive that the Government's initiative of local agreements between the Public Employment Service and the municipalities, aimed at jointly tackling youth unemployment, has proved successful. The Delegation for Young People to Work (Dua) has played an important part in this context. In all, 287 local agreements have been signed.

Further reduction of long-term unemployment

There was a clear decrease in long-term unemployment in 2015, both for people who had been unemployed for 6 months or more and among people who had been unemployed for more than 12 months (see figure 1.5). Long-term unemployment is higher among men than among women, but there was a clear decrease in both groups in 2015. Long-term unemployment among adults (aged 25–74) is lowest in the EU, in terms of unemployment periods longer than 12 months.

Figure 1.5 Long-term unemployed as percentage of labour force 2001–2015



At the same time, far too many people are still affected by long periods of unemployment. Long-term unemployment must decrease further, not least since the chances of getting back to work diminish the longer a person is unemployed. Therefore, the Government is giving priority to people with small chances of finding work.

The Government is discontinuing phase 3 of the job and development guarantee programme. For that reason, no new individuals are to be referred to employment placements [within phase 3]. Individuals who have been registered in the job and development guarantee programme for more than 450 days must instead be offered extra jobs or other labour market policy measures that improve their chances of getting work. The Government believes that there is great potential for municipalities and county councils to use the extra jobs to secure their long-term skills provision while helping to fight long-term unemployment.

The possibility of combining a job with relevant training is expected to make it easier for long-term unemployed to return to the labour market. The Government therefore intends to extend trainee jobs and support for work introduction jobs to also include long-term unemployed.

The Government has also decided to instruct the Swedish Agency for Economic and Regional Growth to implement a three-year initiative in which a total of SEK 60 billion will be allocated for promoting employment for long-term

unemployed through work-integrated social enterprises.

The Government considers that there is a need for further measures to ensure that long-term unemployment continues to decrease and will present further proposed measures.

Initiatives for people who have disabilities that impair their working capacity

Many people who are unemployed have a decreased working capacity due to disability. Everyone's desire to work must be put to use. Discrimination against people with disabilities must be opposed.

The Government has increased resources for subsidised wages and for special introduction and follow-up support to enable more people with disabilities to be employed. Development employment positions at Samhall have been successful in giving people with disabilities the opportunity to develop through work and get a foothold in the labour market. The Government has therefore allocated funds for a further 2 000 development employment positions.

Work experience is important to improve the opportunities of finding unsubsidised employment. The Government has therefore tasked agencies with receiving jobseekers with disabilities for practical work experience.

There are several different wage subsidies targeting people who have disabilities that impair their working capacity. The subsidies partly overlap and need to more clearly support individuals' opportunities to develop their working capacity. The Government has therefore started a review of the subsidies to clarify and develop the initiatives.

Higher education for jobs and competitiveness

In an international perspective a large proportion of the Swedish population is educated to post-upper secondary level. Higher education is crucial for future jobs and continuing high productivity. In both the business sector and the public sector there is great demand for labour in occupational areas where employers require post-upper secondary education.

To meet demand in the labour market and to enable more eligible applicants to undergo higher education the Government has started to increase the number of study places throughout the country. In 2015 the expansion was started that is estimated to be equivalent to about 15 000 new full-year places in higher education in 2019.

In 2015 quality enhancement was also started through raised compensation in the humanities, social sciences, law and theology, as well as teaching and workplace-based training.

The average age of graduates is higher in Sweden than in all other comparable OECD countries. To meet the needs of the labour market for labour it is important that higher education studies are completed faster. The range of summer courses relevant to promoting faster graduation should be increased.

An Inquiry Chair will make a comprehensive review of the enrolment system for higher education that starts at undergraduate level and is intended for beginners (ToR 2016:24). The Inquiry Chair will make proposals for a more open and simple system. The remit includes analysing and submitting proposals on how basic eligibility can be achieved through working life experience.

The work of universities and other higher education institutions to broaden recruitment is important. The diversity that exists in society should also be reflected in higher education. Universities and other higher education institutions fill an important role in lifelong learning that makes it possible for women and men to improve their skills and retain or change their jobs.

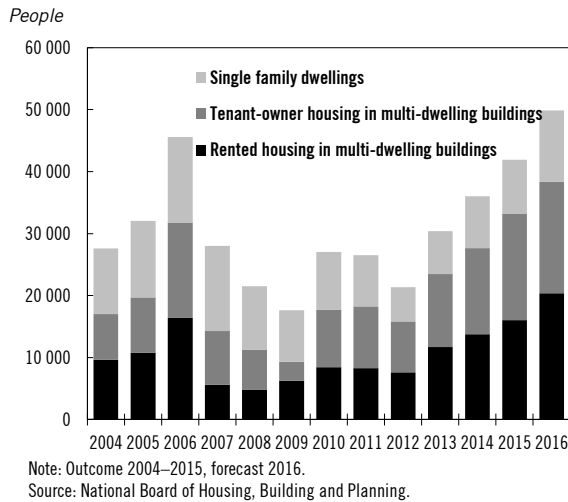
The Government's objective is for education and research at universities and other higher education institutions to maintain an internationally high standard and to be operated efficiently. This requires long-term planning and clear priorities. In October 2016 the Government will submit a bill for higher education, research and innovation to the Riksdag. Unlike previous research bills, this one will have a ten-year perspective, with special focus on 2017–2020.

More housing will strengthen Sweden

An important prerequisite for fighting unemployment, increasing employment and creating growth is the ability to live where there are job and education opportunities. But places that have job and study opportunities often have housing shortages, particularly rented housing. The pace of housing construction has been low for a long time. This has dampened mobility in the labour market and held back potential

growth in the economy. In addition, the low rate of building has contributed to the fast increase in housing prices. Changes in housing taxation have also contributed to the price rise.

Figure 1.6 Housing construction started 2004–2016



Housing construction has increased considerably in recent years, though from a low level (see figure 1.6). Housing construction is still too low and it is necessary to increase it in Sweden. The need is particularly great in the three metropolitan regions. There is a great shortage of rented housing, particularly small flats.

Rented housing plays an important part in enabling more people to find somewhere to live, not least young people, newly arrived people and people on low incomes. It is important that rent levels are reasonable in relation to income levels for people in need of housing. Rented housing increases the free choice of households and mobility in the labour market. Construction should therefore focus on increasing the percentage of new rented housing for households with average or low incomes. To increase construction of rented housing the Government is introducing investment support and economic stimulus for municipalities. It is the greatest housing policy initiative in more than 20 years.

Investments in housing will build the Sweden of the future and can contribute to continued high growth and employment. More housing and sustainable town planning can also help reduce segregation, reduce climate impact, increase gender equality and improve living conditions.

To establish housing construction at a higher long-term level requires local and central government initiatives and improved conditions for companies that want to build housing. No single measure is sufficient to solve the problems in the housing market and the Government assesses that further measures are needed. To guarantee long-term rules of play in the housing market requires broad political agreements. The Government has therefore initiated political talks with the Left Party, Moderate Party, Centre Party, Liberal Party and the Swedish Christian Democrats. The Government's input in the talks concerns reforms to reduce the time from idea to completed home, increasing construction capacity, as well as financing and increased mobility.

Continued work is needed to reduce lead times and costs of construction. To reduce construction costs, building standards and requirements on contractors need to be reviewed. This may entail improving conditions for industrial manufacture of prefabricated housing through simplified control. Swedish housing standards must continue to be high.

Municipalities need to take greater responsibility for increased housing construction. If municipalities do not take responsibility for building sufficient housing in relation to needs that exist at regional and national level, the Government is prepared to review requirements concerning municipal planning for housing construction. The Government does not rule out making these requirements binding.

Construction capacity needs to increase. It is possible to train more people for work in the construction industry. Measures are also needed for increased gender equality within the construction industry and to attract more women to construction related training programmes. The Government wants to see a substantial increase in the number of training programmes that can give unemployed people the opportunity to work in the construction industry. More foreign construction companies that compete on fair terms could also contribute to increased construction capacity. The Government is also reviewing whether state-owned enterprises can contribute to more housing construction.

The Government wants to investigate the need to supplement the investment support

already introduced with new forms of rent guarantees and initiatives to improve supply of capital to smaller actors. If necessary, the Government is prepared to improve opportunities for lending to non-profit housing, construction companies and municipalities for new construction.

It is also important that the existing housing stock is used more effectively, and that stable and predictable rules are maintained for such an important decision as that of buying a home. The need for measures in the area of taxation must therefore be seen from a long-term perspective and be handled carefully, since a large proportion of Swedish households are affected by such measures.

The Government intends to present proposals for increasing housing construction.

High indebtedness in the household sector

Housing prices and households' debts have risen at a relatively fast rate since the mid-1990s. A large part of the increase can be explained by structural and macro-economic factors. An increasing number of households own their homes. The fact that housing construction has been at a low level has led to a slower increase in the supply of housing than the population increase, above all in urban areas. Housing related taxes have been reduced, particularly in connection with the introduction of the municipal real estate charge in 2008. At the same time, household incomes have increased at a good rate and real interest rates have fallen.

Rapidly rising housing prices increase the risk of a rapid drop in prices. Together with increased indebtedness, this means that the household sector is more vulnerable to macroeconomic shocks than before. If housing prices fall, there is also a risk that households will reduce their consumption, which in turn constitutes a risk of lower growth and employment.

The Government therefore considers that it is important to take well-considered action to dampen the rate of increase in household indebtedness. In recent years a number of measures have been taken by the Government and agencies concerned. The most recently proposed measure is in the Amortisation Requirements Bill (Govt. Bill 2015/16:89) and requires credit institutions granting mortgages to individuals to apply repayment conditions

that are in compliance with a sound amortisation culture and counteract excess indebtedness among households. The Government and agencies concerned are continuing to analyse the risks of household indebtedness. The Government is prepared to take further action if required.

Work is in progress in the Government Offices concerning whether Finansinspektionen (the Swedish Financial Supervisory Authority) should have a broader mandate to introduce measures to reduce the risks of household indebtedness, for example.

Investment in infrastructure for sustainable transport, competitiveness and increased use of the public transport system

An effective transport sector is important for employment, reduced emissions and competitiveness throughout the country. The competitiveness of the business sector is dependent on its ability to deliver goods and services to customers within Sweden and outside the country. Employees and employers gain from easy and smooth travel to and from work. An effective and modern transport system can contribute to growth, productivity and employment as well as to making Sweden a more environmentally sustainable society. Digitalisation and IT have potential to help reduce carbon dioxide emissions in some areas, such as transport. Increased focus on IT solutions can thus contribute to reducing climate impact and better conditions for rural areas.

There are challenges regarding infrastructure. In parts of the metropolitan regions there are considerable bottlenecks and for many years too few resources have been devoted to operation and maintenance of railways. This has contributed to delays. Another challenge is the environmental and climate impact of the transport sector. The Government has a high level of ambition regarding reduction of environmental impact from the transport system and its emissions of greenhouse gases.

A key point for the Government's policy is to use resources as effectively as possible. Each invested krona must give the highest benefit possible to society. Small scale investments in existing infrastructure can often be cost

effective. By focusing on effectiveness the transport system can better contribute to a long-term increase in employment and climate impact reduction.

In summer 2016 a decision is expected on a new public transport regulation in the EU. The Government therefore sees the need to review Swedish public transport legislation. In this context it is also important to analyse the effects of the Public Transport Act that came into force in 2012 for passengers and for national public transport planning, as well as its costs. The Government is raising the level of ambition regarding transport infrastructure. To strengthen railway maintenance, total funds of just over SEK 4.3 billion will be allocated in 2015–2018. A robust railway strengthens the competitiveness of rail transport. Apart from this, there will be a central government co-financing initiative for local and regional public transport investments, through the ‘urban environment agreements’, which amount to SEK 2 billion in all during the electoral period.

To promote sustainable regional growth and good quality of life in Sweden’s rural areas the Government has also decided on an initiative for rural public transport and improved road and rail maintenance. The initiative will amount to about SEK 1.6 billion in 2016–2019.

On the basis of current statutory requirements, deriving from EU rules, an increase in track access charges is expected. Resources have been allocated for compensatory measures in 2016–2019 to ease the financial burden on railway companies. Infrastructure investments demand a long-term approach. The Government therefore intends to submit a bill containing proposals on financial frameworks for a national plan for 2018–2029. The bill will meet two important challenges. In the first place the quality of the existing infrastructure must be safeguarded. Operation and maintenance of roads and railways need to have priority so that expensive disruptions are reduced and long-term maintenance is not neglected. In the second place, infrastructure must be developed and extended to meet future needs for a modern and sustainable transport system that helps to reduce greenhouse gas emissions. This is a matter of dealing with such things as bottlenecks around Sweden’s major labour market regions and of improving transport routes that are important for the business sector. Regional rail services and

companies’ goods transport need to be improved. The infrastructure must support regional transport authorities’ target of doubling the percentage of travel by public transport.

In the work of developing infrastructure, the National Negotiation on Housing and Infrastructure (ToR 2014:106) is to make important contributions. These include negotiations concerning public transport and housing in metropolitan regions. They also include preparing proposals for financing and for a strategy to build high-speed tracks between Stockholm and Gothenburg/Malmö.

The Government sees major advantages to high-speed tracks. New main lines would give shorter travelling times, better conditions for increased housing construction and stronger labour market regions, as well as strengthening the competitiveness of railways. New main lines would also reduce disruptions in the system as a whole and enable more reliable goods, commuter and regional services. However, cost estimates for high-speed rail have increased sharply and unexpectedly. In view of the increased cost estimates the Government has instructed the Swedish Transport Administration to present updated data concerning the costs of upgrading existing main lines between Stockholm and Gothenburg/Malmö. The Swedish Transport Administration is also investigating the possibilities of reducing construction costs of high-speed tracks.

Preparations for building the Eastern Link (Ostlänken) between Järna and Linköping are in progress. The Government is currently considering the question of whether the Eastern Link can be built in the area proposed by the Swedish Transport Administration. The next national plan needs to meet the need for initiatives in the rest of the transport infrastructure throughout Sweden. This is necessary to make a cohesive nation and a living countryside possible.

An active enterprise policy for more and growing companies

The Government’s objective for enterprise policy is to strengthen Swedish competitiveness and create conditions for more jobs in more and growing businesses throughout the country. An

active enterprise policy is also significant for raising long-term productivity. In addition, enterprise policy can contribute to the transition to a more sustainable and innovative society.

Sweden has a competitive economy and has long been ranked high in international surveys of competitiveness and innovation. However, in recent years, Sweden has lost ground. Exports have long been the engine of the Swedish economy, but in the last decade Sweden has found it difficult to retain market share. In 2015, however, Swedish exports grew very substantially. According to a new report from Business Sweden¹ the Swedish business sector is now taking new market share, mainly in the USA and China.

To strengthen firms' potential for further improving their position, the Government has prepared an export strategy in dialogue with the business sector. This puts particular focus on strengthening small and medium-sized enterprises' export and internationalisation opportunities. At the same time, it is important that the traditional Swedish export companies continue to increase their exports with Sweden as a home base. The export strategy covers measures in several areas. By coordinating central government promotion efforts in Team Sweden, better and more effective support for exporting companies is created. By establishing regional export centres, information is provided about the central government export and internationalisation services to companies around the country. The export strategy also includes measures to increase travel to Sweden, focusing on the tourist industry, for example by promoting more direct services to Sweden. Sustainable enterprise is emphasised in particular. In the export strategy the Government raises expectations of companies operating in complex markets in terms of human rights, environmental and climate work and workers' rights.

The supply of private risk capital has decreased over several years, particularly for growth companies in their early phases, which need to commercialise new products and services. At the same time, the central

government market complementary venture capital companies have often directed their efforts towards companies in later developmental phases. Consequently, there are shortcomings in access to financing for companies in early developmental phases, 'seed financing'.

With the aim of improving central government capital supply to companies the Government submitted The State and capital – structure for financing innovation and sustainable growth (Govt. Bill. 2015/16:110) in March 2016. The proposed financing structure, which is to be more coherent and long-term, creates the conditions for better utilisation of central government resources for capital supply and is to increase the volume of risk capital. The structure is also to contribute to presence in segments where market complementary development capital is needed. The Bill proposes the setting up of a national state-owned development company. The company's remit will be to invest in privately administered venture capital funds. Through a fund of funds arrangement, the company will be an indirect shareholder in the companies and at the same time derive benefit from the investment expertise in the private fund management companies.

In the Budget Bill for 2016 the Government stated that there is reason to review the need for any further measures to support bank lending to companies in need of financing for expansion and development investments in the green sector. One model for this is the British Green Investment Bank. This work is in progress in the Government Offices.

The Inquiry on tax rules for incentive programmes presented its report Taxation of incentive programmes (Swedish Government Official Reports SOU 2016:23) to the Government on 15 March 2016. The Inquiry proposes changes in taxation of some types of incentive programmes to enable small growing companies to recruit more easily and retain qualified labour. The report has been sent out for consultation.

To strengthen the competitiveness of firms, the work of simplifying rules continues to have priority and the Government is focusing on using the potential of digitalisation to free up time and energy for companies to develop their operations. Digitalisation creates new

¹ Market overview (Business Sweden), December 2015.

possibilities to make public administration more effective. Increased use of e-government may help to reduce administrative costs for companies and for central government. Digitalisation also means new opportunities to provide welfare services cost effectively and can thereby strengthen welfare.

A good innovation climate is an important condition for future employment. It assumes close collaboration between the business sector and the political world. The Prime Minister's Innovation Council is to identify challenges and propose initiatives to improve conditions for innovation in Sweden. The Council has initiated cooperation programmes aimed at meeting our common societal challenges, such as digitalisation and adaptation to a climate smart and sustainable society. The cooperation programmes will build on the Swedish business sector's comparative advantages and the areas in which Swedish companies have strong positions internationally, for example in environmental and climate technology. Another area is life sciences, where there is already a cooperation programme running. Life sciences are an innovative part of the Swedish economy and characterised by relatively large capital requirements and long lead times.

The public sector may have a role in promoting innovative solutions, such as through innovation procurement. The Government is preparing a national strategy for procurement in which innovation procurement is included.

Industry has made Sweden strong and contributed to high productivity growth and innovation. For Sweden to also be a strong industrial nation in future, with production in Sweden, there must be a policy to meet increased global competition and faster technological development. The Government has therefore presented Smart Industry – a new industrialisation strategy for Sweden. The objective of the strategy is to improve the competitiveness of industry throughout Sweden and that Sweden is to attract investments. The strategy also aims to increase participation of industry in the highly qualified parts of global value chains. Sweden is to be a world leader in innovative and sustainable industrial production. To achieve these objectives, the Government will draw up concrete proposals to utilise the potential of digitalisation, strengthen the capacity of industry for sustainable production,

secure skills provision to industry and create attractive research and innovation environments in Sweden.

Considerable resources are invested in Sweden in research and development. This is a prerequisite for an innovative and competitive business climate. Research results must, however, lead more often to new products and services. The Government works strategically to improve the utilisation of research and is preparing a bill for higher education, research and innovation.

To use the potential of rural areas for jobs and growth, considerable resources will be allocated to the Rural Development Programme for services and broadband expansion. Digitalisation affects a number of strategic areas of great importance to Swedish competitiveness and innovative capacity. A well developed broadband infrastructure is therefore central to being able to live in and operate a business in all parts of the country. The Government believes that mobile broadband solutions in rural areas are important and that they should be considerably improved. The Government's ambitions as regards national coverage are high. In the Budget Bill for 2016 the Government proposed that supplementary long-term government support to commercial service in particularly disadvantaged sparsely populated areas would be introduced. The proposal is now being implemented. Moreover, the parliamentary Rural Areas Committee (ToR 2015:73) will present its report in January 2017. The Government has also instructed relevant agencies to review broadband support so that it is used effectively. It is important that the support is primarily directed to the areas where the commercial conditions for expansion are least favourable.

The investments in public transport and road and rail maintenance proposed by the Government in the Budget Bill for 2016 are expected to benefit regional growth and promote good quality of life in rural areas. The Government also intends to present a Swedish food strategy in 2016 and a national forest programme with a programme of action in spring 2017.

Fair competitive conditions in relation to taxation

Increasing globalisation and international mobility has created good investment and expansion opportunities for Swedish companies abroad and for foreign companies in Sweden. At the same time increasing opportunities have arisen for using aggressive tax planning to move profits from Sweden to countries with low taxation. These arrangements create unfair competitive conditions and put the great majority of Swedish companies that want to do the right thing at a disadvantage. Consequently, effective and appropriate rules against tax evasion and tax avoidance are needed, as well as control tools and information exchange between agencies at international level.

The Government will continue to combat tax fraud. The Swedish Tax Agency has been instructed to draw up a proposal for extending the staff register system to cover more industries. The Government has also presented a proposal to make it mandatory for business operators to use a cash register even if the income from the sales does not derive from a fixed place of business in the country. Moreover, the Swedish Tax Agency has submitted a proposal that entails exempting employers from submitting both an employer's return and a statement of earnings and tax deductions and that reporting at individual level should instead be done monthly in the employer's return. This proposal is now being examined by the Government Offices.

It is important that the Swedish Tax Agency uses all means possible, including information exchange agreements and the new international standard for automatic exchange, to tighten up efforts to combat international tax evasion and tax avoidance. Several major advances have been made internationally through the OECD project against aggressive tax planning, the BEPS project (Base Erosion and Profit Shifting). The proposed measures prepared as part of the project create the conditions for effective and fair taxation while taking into account competition aspects for Swedish companies. Work is in progress in the Government Offices to follow up the results of the BEPS project. In the context of this work the OECD recommendation that tax consultants should be obliged to inform the tax authorities about tax arrangements will be studied.

As a consequence of the BEPS project the European Commission has presented an Anti Tax Avoidance Package. This includes a proposed directive concerning tax avoidance. The Government supports the aim of the Anti Tax Avoidance Package.

Tax evasion is an extensive problem in developing countries. It hampers countries' development and makes it more difficult to combat poverty. Transparency of multinational companies' operations and tax authorities' powers to obtain information must be improved. It is important to contribute administrative support to developing countries so that they can work effectively against tax evasion and tax avoidance.

1.5 Equitable knowledge based education and time for each pupil

Schools are crucial to a Sweden that keeps together and an important component in building our society. School lays the foundation for the individual to proceed to further education, become established in the labour market and actively participate in society. The Government's objective is knowledge-based education in equal schools where the teachers have time for every pupil. All children must be taken seriously in their thirst for knowledge and meet a school in which they can grow and develop. All pupils must be given the opportunity to develop fully on the basis of their different abilities. The compensatory function of schools must be strengthened.

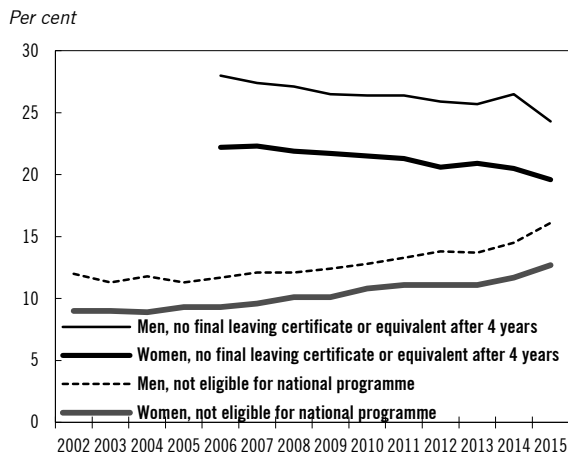
A school characterised by a conducive study environment and security allows all pupils to do their best and lays the foundation for good learning outcomes. It is important that good examples of strong leadership are spread in the school system, as well as examples of how to build secure school environments and combat bullying.

Compulsory school and upper secondary school are facing significant challenges. International surveys show that learning outcomes in Swedish compulsory school have deteriorated over a long period and that this trend has accelerated in recent years. In addition, segregation and differences in educational

attainment between compulsory schools have increased over the past ten years. The large number of newly arrived children and young people has increased the need to tackle the challenges that were already facing Swedish schools.

The weak performance has also been manifested in an increasing number of pupils leaving compulsory school without being eligible to apply for any of the upper secondary school national programmes. The percentage of pupils without eligibility has increased gradually since the end of the 1990s to more than 14 per cent in 2015. There are more men than women who lack eligibility for upper secondary school national programmes.

Figure 1.7 Percentage of pupils not eligible for national programmes after compulsory school and throughput in upper secondary school 2002-2015



Note: Eligibility requirements were tightened in autumn 2011. This has only marginally affected the percentage of those eligible (0.1–0.2 percentage points). For women and men who started upper secondary school in 2011 the figure refers to the percentage who received neither an upper secondary diploma nor a study certificate, 2500p.

Source: National Agency for Education.

Almost all young people now go on from compulsory school to upper secondary school, including the introduction programmes, but throughput is far too low. Of those who started an upper secondary national programme or an introduction programme in 2011, 22 per cent had not received a qualification certificate or a study certificate from a national programme within four years. There are gender differences as regards throughput in upper secondary school (see figure 1.7). The low throughput in upper secondary school impairs young people's chances of becoming established in the labour market or going on to continued studies.

Improving learning outcomes and increasing equivalence are the Government's highest

priority for schools. The Government has therefore increased investments in schools. The school and pre-school systems have received additional allocations totalling SEK 8.3 billion for 2016. The main focus of investments in schools is to improve learning outcomes through increasing the attractiveness of the teaching profession, early intervention and greater equity in education.

The teaching profession must be more attractive

Teachers are the key to raising learning outcomes in schools. Consequently, it is serious that the teaching profession has long been losing status and attraction. Large pupil cohorts and the dwindling attractiveness of the profession has led to a growing shortage of teachers. The large number of asylum seekers also means an increased number of pupils, which further increases the recruitment need. The Government's ambition is to increase the number of teachers, for example by restoring the status of the teaching profession so that teachers decide to return and teacher training becomes more attractive. To make the teaching profession more attractive, teachers need to be given more time for teaching and better opportunities to make a career and develop in the profession.

To strengthen the attractiveness of the profession the Government has initiated national action for the teaching profession. As part of the national action the Government has implemented a stimulation package for higher salaries for teachers. As of 1 July 2016 school authorities can apply for funds to raise salaries for specially qualified teachers. The Government assesses that about 60 000 teachers annually may be considered for the central government initiative, which on average involves a pay rise of between SEK 2 500 and SEK 3 500 per month. In addition, the career position reform will be fully implemented from 2017 and will then include 17 000 senior teachers. To improve equality in the school system it is important that it is attractive to teachers to work and develop in the schools that have the toughest conditions. The Government is therefore conducting talks with the parties on this. The Government has also made it possible for school authorities with difficult conditions to apply for government

grants for further career positions for teachers in the form of senior teachers and senior subject teachers.

The Government estimates that about 40 000 more teachers will be needed than the number expected to graduate in 2015–2019. To meet this challenge both short-term and long-term measures are needed. More teachers must be trained, existing teachers relieved and qualified teachers outside the school system must be attracted back. Therefore, the Government intends in 2016 to allocate funds for further training of unqualified teachers. The Government has also allocated funds for the Teach for Sweden initiative. The training involves having graduates work as teachers in a school with major challenges, while studying for a subject teacher degree.

The volume of applicants to teacher training is increasing generally, but it varies between specialisations. It continues to be low for vocational teaching programmes, for example. Despite improvements in recent years the Government considers that there is a need for continued development and extension of teacher training programmes.

It is important that people coming to Sweden can receive relevant education to enable them to become established in Swedish society and the labour market. Swedish language skills in particular are important here. The need for teachers who are qualified to teach Swedish for Immigrants and Swedish as a second language is great and growing. The Government therefore intends to allocate funds for this in the Budget Bill for 2017.

In the national action for the teaching profession the Government is conducting a dialogue with the parties on the profession. One theme of the dialogue has been how teachers' working time is to be protected so that they can devote more time to teaching. It is of decisive importance that school authorities ensure human resources provision in schools, for example by recruiting various forms of teaching assistants to relieve teachers and school heads. It is important to relieve teachers working in the parts of the school system where pupil increases have been the greatest. The Government wishes to support this work. Apart from the additional resources to the municipal sector in 2015 of SEK 9.8 billion, adapting the regulatory framework for subsidised employment may be considered

where needed to adapt to school conditions. In the context of the national action for the teaching profession the Government is conducting talks with the parties on this matter.

The Government intends to instruct the National Agency for Education to extend its teacher's campaign so that more people can train to be teachers and so that more teachers can come back into schools. At present there are 40 000 trained teachers of working age who are not working as teachers. The Government assesses that higher pay and a better working environment may encourage more people to return to the teaching profession. Substantial funds are also allocated for continuing professional training that will give teachers the opportunity to gain new qualifications or broaden those they have.

In spring 2016 a fast track for newly arrived teachers was presented. This means that a model is established for how people with teacher training from their home countries can rapidly supplement their subject and teaching skills, in combination with studies in Swedish adapted to the teaching profession.

The Government also intends where necessary to implement further reforms to better utilise the skills of newly arrived teachers.

Early intervention

Good pre-school can lay the foundation for the pupil's continued learning. It is then crucial that pupils get the support they need already in primary school. The Government's objective is to ensure that support and special support is provided already in early years.

Pre-school plays an important role in children's development and contributes to creating equal conditions before they start school. Research shows that children who have attended pre-school succeed better at school than those who have not. This applies in particular to children whose parents have a short education or children living in vulnerable situations for various reasons. All children in pre-school must be seen and have the opportunity for play and educational challenges. An important prerequisite for pre-school to be able to meet its objectives is that the children's groups are of appropriate size. The Government

has therefore allocated funds to reduce the sizes of children's groups in pre-school.

The Government's ambition is that all children must attend a pre-school class. It is an important bridge between pre-school and compulsory school. Holiday catch-up school provides good support to pupils who need extra time to achieve their targets. The Government is also planning to return with proposals for an integrated timetable classified by level for compulsory school.

Good out-of-school centres can contribute to better learning outcomes and equal life opportunities for all pupils. An increasing proportion of children participates in out-of-school centre training and spend more and more time at the out-of-school centre. Staffing ratios at out-of-school centres have fallen. In light of this, as of 2016 the Government has allocated funds mainly for a higher staffing ratio, but also to some extent for other measures to raise the quality of out-of-school centres.

Evaluations by the National Agency for Education show that Swedish compulsory school provides special support at a relatively late stage. Increasing equivalence and preventing problems that can grow over a long period of time requires teachers with the right skills, not least special needs teachers. The Government has therefore allocated substantial funds to educate more special needs teachers and to develop special needs education. The Government has also appointed an Inquiry Chair to analyse the basis for introducing a so-called reading-writing-arithmetic guarantee and to propose how this should be formulated (ToR 2015:65). The Government aims to introduce a guarantee in autumn 2017.

Reading is crucial for enabling all children to develop at school. The Government therefore gives priority to measures to help all children develop their capacity and desire to read. This requires action from all actors: schools, culture, sports and voluntary associations. The Government therefore intends to gather all initiatives that promote reading under the umbrella of All of Sweden reads with children.

The Government has allocated SEK 2 billion annually to enable school authorities to increase the number of employees in primary schools. In that way primary school teachers will have more time for teaching, can devote more time to each pupil and classes can be smaller. In addition,

more teacher resources in compulsory school will be freed up through reducing the number of national tests and reducing the administrative burden.

Greater equity in education

The compensatory function of schools must be strengthened. Schools must as far as possible smooth out differences arising from various conditions experienced while growing up and give all pupils the opportunity to reach their full potential.

The trend of a reduced percentage of pupils who are eligible for upper secondary school national programmes must be reversed and support given at an early stage and adapted to pupils' needs. This work becomes even more important when more children and young people come to Sweden from other countries and with different educational backgrounds. The Compulsory School Inquiry has proposed several important steps to strengthen pupils' possibilities of achieving learning goals and eligibility for upper secondary school. The Inquiry proposals have recently been circulated for comment and the proposals are currently being prepared in the Government Offices.

All young people should start and complete upper secondary schooling. Consequently, the Government has instructed an Inquiry Chair, in dialogue with a cross party parliamentary reference group, to analyse the situation and propose measures (ToR 2015:31). The Inquiry remit includes proposing how the upper secondary school introduction programmes can be developed; something that may benefit newly arrived young people of upper secondary school age in particular. The Inquiry Chair is also to propose other educational paths that may be alternatives to upper secondary school. The Inquiry Chair will investigate whether, and to what extent, folk high school programmes should be accessible to young people under the age of 18.

Governance within adult education is to be improved. An internal inquiry in the Government Offices has been started to propose a model for regional adult vocational training that can meet the needs of the labour market to a greater extent. A key point is strengthened

central government governance and increased regional collaboration.

Gender inequality at school, which affects boys in the form of generally poorer study outcomes and girls in the form of stress and mental ill health, must be stopped. Schools must also continue to improve opportunities for gender equal educational choices. This is an important condition for getting to grips with the gender segregated labour market.

School authorities and schools have different conditions and needs. To provide special support for authorities for schools with poor study outcomes and difficult conditions the Government is allocating substantial funds for agreements between the National Agency for Education and school authorities within the context of the initiative on cooperation for the best school system. The National Agency for Education must, in cooperation with each school authority concerned, identify initiatives that can strengthen the school authorities' capacity to plan, follow up and develop education. The National Agency for Education is to agree with each school authority concerned on how the initiatives are to be designed and implemented. Building on reference data from the Swedish Schools Inspectorate, the National Agency for Education is to assess which schools should be given priority and identify relevant areas of development. The housing areas estimated to be most vulnerable must be given particular attention as well in the work of improving school performance.

The cooperation is also aimed at implementing initiatives to raise school performance for newly arrived pupils and pupils whose mother tongue is not Swedish. To improve municipalities' abilities to receive children seeking asylum, the Government has also allocated funds for an increase in remuneration to municipalities for school education of children seeking asylum.

To further strengthen support to the validation work of the municipalities, the Government intends to instruct the National Agency for Education in 2016 to develop guidelines for support to validation for newly arrived people with completed or partially completed upper secondary education.

At the end of 2015 the Government allocated SEK 200 million to municipalities that had the largest percentage increase in the number of

pupils, to contribute to the increased costs this entails. The funds were allocated in addition to the SEK 9.8 billion that was given in general municipal support. The funds mainly benefitted small municipalities. Municipalities with major increases in actual figures, which are often large municipalities, also have costs for planning and construction of new school buildings. The Government therefore considers that the municipalities that have received a large number or a large percentage of asylum seekers, where, based on the size of the population increase in the municipality, there may be a shortage of school premises, should be able to share in similar support. The Spring Amending Budget Bill for 2016 therefore proposes a subsidy for school premises. The Government has also ordered an investigation into how the country's schools could receive newly arrived pupils on a more evenly distributed basis. The proposals from this investigation are now being considered in the Government Offices. Proposals have also been drawn up that improve the possibility of conducting distance teaching under contract between school authorities. This may contribute to improved mother tongue instruction and mother-tongue study mentorship.

It is important that all newly arrived pupils learn Swedish quickly. The option of teaching in English may, however, make it simpler for pupils with sufficient experience of studying to catch up in subjects other than Swedish. The current situation requires innovative thinking and that school authorities use all possibilities available to ensure that all pupils receive equal teaching and schooling. One school authority can already now offer national programmes in English. The Government wants to analyse whether there is reason for more school authorities to use this possibility. The Government therefore intends to instruct the National Agency for Education to investigate whether some newly arrived people would derive benefit from English language teaching and whether more school authorities should to use this possibility. The National Agency for Education is also to analyse the extent to which school authorities can offer pupils greater scope to use their mother tongue.

The Government follows developments in schools carefully. This is particularly important given the very large number of new pupils that have arrived recently. The Government intends

to present further proposals in the area of schools in the Budget Bill for 2017.

1.6 Climate is the defining issue of our time

Climate change is the Government's top environmental priority. Work to limit climate emissions requires different types of solution as well as cohesive global and national political efforts. At the UN climate change conference in Paris in 2015, all 193 member states agreed on a new global and legally binding climate agreement. The Paris Agreement is a milestone in climate action. For the first time the world has a global climate agreement in which all countries undertake to contribute to increasingly ambitious commitments. The Agreement establishes that the global temperature increase is to be kept as far as possible below 2 degrees Celsius and that efforts should be made to limit it to 1.5 degrees. The Agreement also means that countries are to gradually increase their commitments.

The Paris Agreement is the framework for long-term and ambitious climate action in all countries of the world. The major work of reducing emissions still remains, however, and all countries must formulate an ambitious climate policy to make this possible. The Government considers that as soon as possible the EU must start the work of ratifying and implementing the Paris Agreement. An important part is finding solutions that enable increased climate ambitions in the EU. It is important that the Paris Agreement is observed fully in the continued implementation of the 2030 framework and that the EU finds ways to enable participation in the 5-year cycles.

In September 2015, UN member states adopted the 2030 Agenda with its 17 Sustainable Development Goals. For the first time, these goals combine responsibility for the environment and climate with social and economic development. The countries have undertaken to work for the achievement of the goals by 2030. In the national implementation of the goals the national environmental quality objectives and the generational goal will be an important building block. One of the goals is that countries are to take measures to combat

climate change and its impact. Sweden's policy for global development is an important tool to make the common endeavours to achieve the global goals and the 2030 framework more effective.

Sweden must be at the forefront of climate adaptation

The Government considers that Sweden should be a global forerunner in climate adaptation. The key to reducing global climate emissions is for richer countries to lead the way by reducing their emissions and developing and sharing solutions, while developing countries are given support in adapting to climate change.

Sweden is tightening its national climate policy and reducing emissions to contribute to global sustainable development that keeps the global temperature increase as far below two degrees as possible and endeavours to limit it to 1.5 degrees. During the electoral period 2014–2018, emissions of greenhouse gases in Sweden are to be reduced significantly.

The Riksdag has adopted a milestone target for reducing climate emissions by 40 per cent by 2020 relative to 1990. The Government estimates that the target will be achieved (Government Communication 2015/16:87). The previous Government's focus was that a third of the reduction would be in the form of investments in other EU Member States or flexible mechanisms. The Government is raising the climate ambition and wants to achieve the target to a greater extent through national initiatives. When the Government took office the assessment was that emissions would need to decrease by a further 4 million tonnes by 2020 to be able to achieve the target only through national measures. Half of this reduction is expected to be achieved using measures already implemented.

The Government has implemented new measures to reduce greenhouse gas emissions in Sweden by 2020. The Government's policies take central government climate investments in Sweden and internationally up to a level of SEK 4.5 billion in 2016. Investments are being made in four areas in particular: renewable energy, fossil-free travel and local and international climate investments.

The Government intends to present further measures during the electoral period, which will help reduce emissions of greenhouse gases.

Priority questions are continued work on fossil-free travel and transport and 100 per cent renewable energy. The state-owned companies must be leaders in their sustainability work. Further measures are also needed to reduce emissions from agricultural land, where a change in the EU Common Agricultural Policy is important. In accordance with the polluter pays principle, during the electoral period the Government will intensify the work of increasing the steering effect of environmental taxes.

The Government will also continue to map non-tax related potentially environmentally harmful subsidies for the purpose of reducing environmental impact.

Long-term management and ambitious targets are needed for continued adaptation

The Cross Party Committee on Environmental Objectives has unanimously proposed in its interim report (Swedish Government Official Reports SOU 2016:21) a climate policy framework with a long-term target for 2045 and a climate law that will clarify the processes and long-term perspective of climate policy. The Cross Party Committee on Environmental Objectives has also proposed that the Government sets up an independent climate policy council. The Government shares the view of the Cross Party Committee on Environmental Objectives that Sweden should be a leading nation in the global work of realising the ambitious objectives of the Paris Agreement. Sweden must continue to be an international role model through its national climate work. The Committee's proposals have been circulated for comment.

The Government is strengthening the dialogue with the business sector, municipalities, universities and other higher education institutions, other public sector actors as well as civil society through the Fossil-free Sweden initiative. There is great commitment, a high level of ambition and widespread agreement that Sweden can be fossil-free among actors involved in the initiative. Investment support to local climate measures, the 'Climate leap', facilitates for companies, municipalities, organisations and others to make important climate investments.

Climate change has a great impact on central functions in society. It is of utmost importance that everyone takes responsibility for adaptation

measures in their field of operations. Many agencies play an important role. During the electoral period the Government intends to draw up a national strategy for climate adaptation with a view to enhancing climate adaptation efforts and the national coordination of these efforts.

Fossil-free transport and travel a priority

A fossil-free vehicle fleet is a priority for the Government. Reducing emissions from the transport sector is central for Sweden to achieve its long-term climate targets. This requires a more transport-efficient society combined with more resource-efficient vehicles and a transition to renewable forms of energy. The Government's ambition is a road transport system with vehicles fuelled by renewable fuels or electricity.

The transport system must be developed to be long-term sustainable. Environmental impact from the transport sector and its emissions of greenhouse gases is to decrease. This requires more people to walk, cycle and travel by public transport and that goods transportation moves from road to rail and sea. The infrastructure must be planned, built and operated on the basis of good management of resources and energy efficiency. The Riksdag's target of at least 10 per cent renewable energy in the transport sector by 2020 will be achieved with existing policy instruments and measures. Already in 2014 the transport sector had 19 per cent renewable energy. The Government has presented new measures to raise that percentage even more by 2020 and intends to intensify the initiatives for achieving a fossil-free vehicle fleet.

In line with this, energy tax on petrol and diesel was increased in 2016. As of 2017 upward adjustment of tax rates for petrol and diesel will be applied that takes into account GDP growth. This is done by annually adjusting tax rates upwards by 2 percentage points over the existing CPI measure. Sweden is to achieve a fossil-free vehicle fleet by 2030. The Government has also discontinued the restriction on the percentage of biofuel that is tax-exempt in low-blend petrol and diesel, which makes further support to renewable fuels possible. In addition, the Government considers that it is important to invest in electrification of the transport sector. The Government has therefore allocated funds

for the 'super-green car premium'. The Government has also changed the regulations for the rebate to enable support for more purely electric cars. In the Budget Bill for 2016 the Government announced that the time-limited reduction in taxable benefit rate for certain green cars should be extended from 2017 to 2019. Electric buses have great potential for reducing emissions of greenhouse gases and air pollutants. However, these buses are still expensive. To promote the introduction of electric buses in the market, in 2016 an electric bus premium will be introduced. The Government's focus on urban environment agreements also allows municipalities and county councils to apply for support for charging infrastructure for electric buses.

Improved public transport can help reduce passenger transport by car and hence reduce greenhouse gas emissions. The Government has allocated funds for improved public transport in rural areas. The Swedish Transport Administration is tasked with consulting the counties on how funds for improved public transport can best be used in the different counties.

Economic incentives must be strengthened for choosing to walk, cycle or use public transport instead of the car where possible. The Government has started work on a national cycle strategy. Proposals to promote the use of electric bicycles are being considered here.

It is necessary for air traffic to bear its own climate costs to a higher extent. The Government has therefore set up an inquiry to analyse and propose how a tax on air travel can be designed (ToR 2015:106). The tax should encourage consumers to choose more environmentally friendly alternatives, which in turn will lead to reduced emissions and less climate impact. The tax should also encourage more effective air transport and reduced climate impact. The design of the tax should also interact with enterprise, transport and regional policy objectives concerning jobs, accessibility and competitiveness in all parts of the country.

The Government assesses that there is potential to improve efficiency for both light and heavy vehicles. The Bonus–Malus Inquiry (ToR 2015:59) is to propose a system that rewards environmentally sound vehicles with relatively low emissions of carbon dioxide at the point of purchase through a bonus while

imposing higher taxes on vehicles with relatively high emissions of carbon dioxide (malus). The Inquiry is to submit its report by 29 April 2016. Until a new system is in place it is important to have a super green car premium. This also applies to a reduction in the taxable benefit value of some green cars. It is important that all actors have good predictability ahead of the purchase of new green vehicles.

The Road Wear Tax Committee has instructions to analyse ways of designing a distance-based road wear tax for Swedish and foreign heavy goods vehicles (ToR 2015:47). Through this tax, heavy vehicles will be able to bear their economic costs to society to a greater extent. The Government's ambition is to introduce such a tax.

The Government also estimates that there is considerable potential for increased use of biofuels. The Government's objective is to put rules in place as quickly as possible in this electoral period that provide long-term sustainable and stable conditions for biofuels. Exemption from carbon dioxide tax that Sweden has applied for biofuels constitutes state aid according to the European Commission. Consequently, the Commission could not approve the Swedish arrangement of combining the tax exemption with a quota obligation for biofuels. However, in December 2015 Sweden received continued state-aid approval for exemption of carbon dioxide tax and part of the energy tax for sustainable biofuels. For bioliquids the approval is valid until the end of 2018 and for biogas used as fuel, until the end of 2020.

Sustainable renewable fuels must be given at least as favourable conditions as they have had to date to compete with fossil fuels so that a gradual increase in renewable fuels can be achieved. The Government assesses that it is possible to reduce the tax on some biofuels without conflicting with the EU state aid rules. The Government therefore proposes in the Spring Amending Budget Bill for 2016 reduced tax on some biofuels as of 1 August 2016.

A more sustainable energy system

The overall objective of Swedish energy policy is to secure short and long term electricity and other energy supply on terms that are

competitive with the rest of the world. The Government considers that the energy system, in the long term, must be based on 100 per cent renewable energy. Energy policy aims to create the conditions for efficient and sustainable energy use and a cost-effective Swedish energy supply with minor impact on health, the environment and climate as well as facilitating transition to an ecologically sustainable society.

Investments in the energy system are often long-term and have long lead times. Given this, the Government has appointed a parliamentary Commission on Energy for the purpose of providing a platform for broad political agreement on long-term energy policy with particular focus on the circumstances for the electricity supply system (ToR 2015:25). In its work the Commission is to read and analyse available assessments of how future energy needs can be met. The Commission is also to identify the changes in the regulations that may be required for economically effective development of the energy system.

It is important for the business sector, not least industry, to have good and reliable access to electricity at competitive prices. In 2015 the energy companies Vattenfall and E.ON (now Uniper) to close four nuclear power reactors before 2020. To ensure that at any given time there is sufficient production capacity to meet demand the Government has proposed an extension of the capacity reserve to 2025.

The Government has implemented initiatives that promote development and establishment of solar cells. In 2016–2019 SEK 1.4 billion is being allocated for this purpose. The Government has also set up a new national forum for smart electricity grids to promote development of the technology, its use and business models for such grids. The forum is also to support sustainability work in the framework of the Government's export strategy.

The Government has also raised the ambition level in the electricity certificate system, to 30 TWh in 2020, corresponding to 5 TWh of new renewable electricity. In connection with this, the tax exemption for electricity produced in wind turbines, etc. was restricted and coordinated with new rules for other electricity production. The Government also wishes to improve the conditions for offshore wind power.

An Inquiry Chair is to review the potential for stimulating solar energy via taxation, in particular electricity produced with solar cells.

The Swedish Energy Agency has been tasked with drawing up proposals for increased use of solar electricity. The final report is due by 17 October 2016.

Sweden participates in a number of international cooperation projects in the climate and energy areas, the purpose of which is to reduce climate impact and promote energy efficiency and investments in renewable energy. Sweden must act to strengthen the work of development banks so that investments and support to fossil energy are phased out in the long term and investments in renewable energy are increased. The Government therefore proposed in the Budget Bill for 2016 that Swedfund should receive a capital contribution for climate and environmental investments.

A circular and bio-based economy

In a circular and bio-based economy Sweden's forests, water, mineral assets and agricultural land are a great asset in sustainable raw materials production and in the transition to a sustainable society. At the same time, new business opportunities and new jobs can be created both in towns and rural areas and the impact on climate, environment and health can decrease. The products must last longer and be easier to recycle. Waste must be seen as a resource in a non-toxic eco-cycle. This may concern reusing, renting, sharing or repairing various products. From the forest comes renewable raw material that to a considerable extent can replace oil in everything from material to fuels. A circular economy may also imply financial gains for companies through increased resource efficiency. For the purpose of increasing reuse of products, the Government has appointed an inquiry (ToR 2016:3). The Inquiry is to analyse the obstacles that may exist in legislation and the policy instruments that are needed to increase reuse of products. The overall objective is to achieve a more resource-efficient and circular economy that limits impact on the environment. The Government is taking steps towards a circular and bio-based economy. Among other things, the Ministry of Finance has circulated

proposals on reduced tax on repairs for comment.

The Government has also appointed an inquiry to survey the emerging sharing economy and review the roles and legal status of various users (ToR 2015:136). The inquiry is to investigate whether existing legislation is appropriate or whether legislative amendments are needed. The Inquiry's remit also includes assessing whether other measures are needed to promote positive development within the sharing economy.

The environmental objectives must be met

It is the Government's ambition that the environmental objectives be met. Environment and climate issues need to continue to be integrated into the policy areas where the incentives and solutions for environmental problems are found.

To reinforce the implementation of environmental policy and accelerate the work of achieving the objectives, the Government has established an Environmental Objectives Council. The Council is a platform for the heads of 17 government agencies that are strategically important for achieving the environmental objectives. The Environmental Objectives Council is to propose measures to increase the pace of work in achieving the environmental objectives. The Government intends to present an account in the Budget Bill for 2017.

The Government gives priority to the work of achieving a non-toxic environment by reducing the presence of endocrine disruptors and substances hazardous to health in drinking water. When EU regulatory frameworks are insufficient, Sweden's ambition is to lead the way with national legislation against hazardous chemicals. Prevention and phase-out of particularly hazardous substances should be ensured through improved information about the recyclability of products, required information on interchangeability and contents of particularly hazardous substances as well as further restrictions on such substances in existing product legislation. A survey of the existence of hazardous substances that are not yet regulated in the EU will be carried out. The survey focuses on hazardous substances in consumer products.

Clean water is a requirement for life. There must be both protection and preventive measures to safeguard the supply of clean water. A programme of action for how Sweden is to meet the EU Water Framework Directive is being prepared.

The Government will appoint an inquiry to analyse the need for taxation to reduce the spread in the environment of cadmium and other substances hazardous to health and heavy metals. The inquiry is also to review taxation of pesticides and analyse whether the effectiveness and steering effect of taxes on health and environment can increase.

From the 2017 Spring Fiscal Policy Bill the Government will include an environmental annex every other year that gives a more in-depth picture of the Government's strategy for the various parts of the work on environmental objectives.

A strategy for sustainable consumption

Consumption is responsible for a large share of our climate and environmental impact. The Government has therefore decided to prepare a strategy for sustainable consumption to be presented in the Budget Bill for 2017. The strategy will consist of measures partly targeting the consumer markets in general, and partly the sectors that account for the largest share of total emissions, such as housing, transport and food. Consumers are to have access to more information to enable them to make well-informed choices. It should be easy to act sustainably as a consumer.

An important part of the strategy consists of analysing methods for using goods and services more effectively, with a view to promoting the sharing economy and a circular economy. To strengthen social sustainability, the Government has also decided to consider the issue of whether Sweden should be a front-runner for fair trade.

1.7 Stronger welfare system and increased equality

The Government's objective is that everyone will benefit from Sweden's growth and prosperity. Publicly financed welfare services,

such as childcare, elderly care, education and health care, are at the heart of the Swedish model. The universal welfare system contributes to cohesion, equality and gender equality in society. Welfare services also make it possible for more people to work more and contribute to high labour force participation among both women and men. Welfare services contribute to high employment and growth. Welfare services must therefore be available to everyone, irrespective of their background and ability to pay.

Another key feature of the Swedish model is public social insurance systems. For a long time social insurance systems have contributed to fairer distribution of economic resources and contributed to both social cohesion and good economic growth. As is shown in Annex 2, however, social insurance payments have decreased in value relative to general wage development. The Government intends to monitor these developments closely.

When people feel secure, they are more venturesome and when economic conditions in society are levelled, more equal conditions for development are created. Consequently, a policy is required that evens out risks and costs over a lifetime and between generations, between people in work and those who just now are out of work or prevented from working by illness, injury or disability.

The fight against inequality is important in building our society. Economic vulnerability affects people's health and risks leading to social problems. Large income inequalities and gaps reduce connection and trust among citizens, which can lead to a reduction in confidence in social institutions. In the long term, widened gaps undermine people's willingness and capacity to act in solidarity.

A high degree of inequality is often associated with low social mobility. Several studies have also shown that increased gaps affect economic growth negatively. Greater income inequality has a negative correlation with long-term growth. Income inequality between people in work and people who are unemployed or ill have increased in recent years and led to an increase in the percentage with a low economic standard.

One of the goals of the 2030 Agenda concerns equality and one of the targets under this goal is, by 2030, to progressively achieve and sustain income growth of the bottom 40 per

cent of the population at a rate higher than the national average. The Government is producing an action plan to achieve this target and will monitor developments on the basis of the plan.

With a rapidly growing population the risk is great that the proportion of people with a low economic standard will increase. The Government intends to continue to oppose economic vulnerability with initiatives for more jobs and targeted measures for the most vulnerable people in society.

In a functioning welfare society illness, injury, disability or unemployment must not lead to economic vulnerability. Widening gaps lead to fewer shared points of contact in society. That is why a policy for increased economic equality and reduced economic vulnerability is required. It is central to the Government to continue to safeguard strong public social security systems and create long-term sustainable and modern social insurance systems.

The previous Government gave lower taxes precedence over investing in welfare. Investments in the welfare system have been neglected. The Government's priority is to build our society by strengthening welfare and by creating better conditions so that more people can be employed in welfare services. With more people employed the work situation improves and a greater number of people can work more and longer. A better work environment for employees also means that more people will want to train and work in welfare activities in the future. More assistant nurses, nurses, teachers, pre-school teachers and social workers contribute to schools, health care and social services of high quality for everyone.

Women often take greater responsibility for care of relatives and children. Many women reduce their working hours to do so. No-one should need to reduce their working hours because welfare is not of sufficiently high quality. Childcare and elderly care contribute to increasing the number of hours worked, partly because they make it possible for women and men alike to work full-time. Well-developed elderly care and childcare of good quality are crucial for the conditions of women's lives. Childcare currently meets the need for care in the daytime, while care in the evening, night and weekends is neglected. This makes it more difficult for women to increase their working hours.

Far too often women's jobs are organised in such a way that there are few full-time positions. Consequently, the Government intends to investigate how this affects women's lives and opportunities to earn their own living and have a good life income, as well as the costs this may have for the public sector and for the economy as a whole.

The Government has received the report The Convention on the Rights of the Child will be Swedish law (Swedish Government Official Reports SOU 2016:19). The report will be circulated for comment.

To support the municipal sector, in November 2015 the Government submitted the Extra Amending Budget for 2015 to the Riksdag, with a proposed non-recurring contribution of SEK 9.8 billion to the municipal sector. The assessment was that there was a need for increased resources in many welfare activities and that this need had increased as a consequence of the large number of asylum seekers. The funds can also be used in 2016 to meet the challenges in schools, health care and social care services.

The Government has implemented major initiatives in schools, health care and social services since the change of government. Considerable resources have been allocated to the municipal sector through government grants and other reforms. This has created scope for municipalities and county councils to employ 20 000 more people in welfare services.

There must be a qualified workforce if welfare is to be developed. By better utilising the skills that many of the people now arriving in Sweden have, this need can be met. To manage long-term skills provision in the welfare system, more people need to be trained in the occupations where there are shortages. Central government, as well as municipalities and county councils have a great responsibility. The Government intends to initiate a dialogue with the Swedish Association of Local Authorities and Regions with a view to starting to tackle the shortage occupations situation in the welfare sector.

Sweden needs to create conditions for effective skills provision throughout the country. It is important to ensure long-term access to skilled labour and combat continued depopulation of Sweden's rural areas. The opportunities for higher education through cooperation with universities and other higher

education institutions regarding skills and learning centres is part of what can be developed.

Sweden must have welfare that can be relied on. The Government is carefully following developments in the municipal sector and intends to present further investments in the welfare system.

Improved availability of childcare

Pre-school is important in children's development and contributes to creating equal conditions before they start school. The good availability of childcare in Sweden has also enabled a greater number of people to work more. Childcare has been particularly important in making high labour force participation among women possible (see the in-depth article "Effective childcare and women's employment").

Even parents who work unsocial hours should have access to good childcare. Parents should not need to say no to work because there is no childcare. The need for childcare may be particularly great for single parents. Childcare needs to be better adapted to real-life families and working life. The Government has therefore allocated resources to increase availability of childcare in the evening, at night and at weekends. The Government intends to follow up the initiative to see how it has affected the supply of childcare during unsocial hours.

Women often take a greater responsibility for caring for children and many work part time to do this. The Government's initiatives to increase availability of childcare may increase women's opportunities to take more paid work.

World class health and medical care

The objective of health and medical care is to offer the population needs-adjusted and effective health care of high quality. Health care must be equal, gender equal and accessible.

Public health in Sweden is good and health and medical care is a contributory factor in this. Swedish health and medical care is effective and produces good results, which international comparisons show. Good health and positive development have not, however, been enjoyed by everyone and health disparities are great. People's health is closely linked to their level of

education and income, as well as their labour market attachment. Women with a short education in several respects have had the least favourable health outcomes in recent decades. The Government considers that everyone must be given the conditions for good health, regardless of economic resources. This is an important part of the Swedish model. The Government's long-term goal is therefore to eliminate avoidable health inequalities within a generation.

To achieve more equal and gender equal health the Government is implementing a targeted initiative in primary care, initiatives in maternity care and mammography screening that is free of charge. To make it possible to supply health care for children and young people on equal terms, and to level out health disparities between different socio-economic groups, the Government has allocated funds so that everyone under the age of 18 will receive pharmaceuticals and other goods eligible for benefit under the pharmaceutical reimbursement system free of charge.

The quality of health and medical care depends on effective skills provision. One requirement for care providers being able to offer good and effective care is that they have the right staff for the right tasks. There are, however, several signs that staff skills could be used more effectively. The number of doctors and nurses in the health care system has increased faster than the population as a whole in the past decade, while the number of assistant nurses and care assistants has decreased. At the same time staff state in various surveys that they carry out duties that other occupational groups could do instead. To better utilise the skills of the health care staff and contribute to the county councils' skills provision, a special 'professions billion' has therefore been introduced from 2016. Skills provision can also be facilitated through faster validation of the skills of people with health care and medical training from other countries. The National Board of Health and Welfare has therefore been allocated resources for this purpose. In spring 2016 a fast track was also presented for a number of occupations requiring professional status qualifications in health and medical care. In addition, the number of places on midwifery, nursing and specialist nursing programmes are being increased.

The costs of health and medical care have risen and demographic development poses a challenge for the future. To further improve health and medical care it is important that resources are used effectively and that governance is functioning appropriately.

The increased number of asylum seekers has meant a substantial increase in the workload for the Health and Social Care Inspectorate for licensing and supervision of homes for care or residence (HVB). This has had negative consequences for the other activities of the Inspectorate. The Government is concerned that the Health and Social Care Inspectorate must be in a position to fulfil its remit and intends to revisit this matter in the Budget Bill for 2017.

Greater equality in elderly care

Sweden is and must continue to be one of the world's best countries in which to grow old. Older women and men must have access to equal care of good quality regardless of where they live. Most older people state that they are satisfied with their elderly care, but that there are shortcomings as regards health and social care of the elderly. The fact that there are major differences between different parts of the country also shows the need for increased equivalence and equality. The aging population and a decreasing number of people of working age poses a challenge for the future staff provision in elderly care.

Resources have been allocated to increase security for the elderly. Initiatives have been taken to enable municipalities and county councils to manage staffing in elderly care. A multi-year staffing initiative was started in 2015 with a view to creating scope for staff to spend more time with the elderly. The initiative gives staff greater opportunities to develop activities jointly and improve the work environment. In that way the attractiveness of occupations in elderly care increases. In addition, skills enhancement measures will be implemented in 2016. The Government's investments in trainee jobs and extra jobs in the welfare sector can also be important tools to secure long-term skills provision in health care and social care services.

Many older people have a great need of health and medical care. The Government therefore announced in the Budget Bill for 2016 that

proposals will be presented to abolish health care fees for people over the age of 85 in outpatient health and medical care that is eligible for the national high-cost protection scheme from 1 January 2017.

All elderly people must feel safe and secure in their everyday life and housing should be adapted to their needs. The Government will monitor this closely.

Reduce ill health and sickness absence

The Government's overall objective is a low and long-term stable level of sickness absence for both women and men. Since 2010 sickness absence, measured as the sickness benefit rate, has increased by 74 per cent. The increase in sickness absence applies to all sectors and occupational groups, but the increase has been more marked for women than for men. Employees in health care and social services account for most of the new sickness cases. Reversing the serious trend of increased sickness absence is one of the Government's most urgent priorities.

With this background the Government is implementing a broad action programme in several policy areas. The measures will help to improve health and people's chances of staying in or returning to work. As part of the action programme the Government has instructed the Swedish Social Insurance Agency to reinforce the sickness insurance processing to achieve an effective sick leave process. The Agency has also been instructed to develop its support to employers and evaluate the current workplace-based support.

Another important component of improving work-related ill health is the work environment strategy for modern working life that the Government has presented.

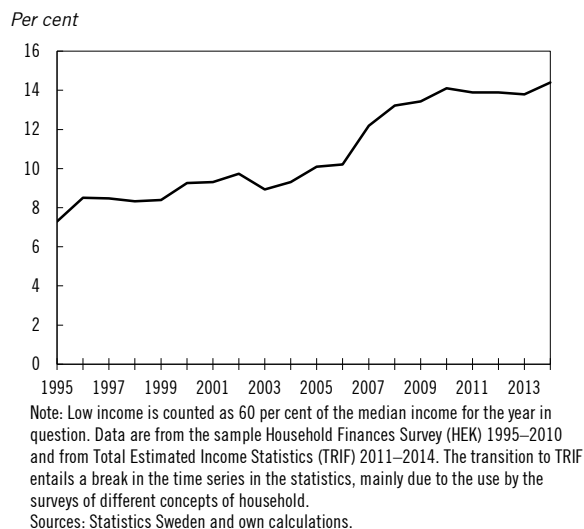
Benefit from sickness insurance should provide security and be paid for the period it takes to regain the capacity to work. The introduction of a time limit for payment of sickness benefit entails a deviation from this principle. The maximum time limit has not helped the rehabilitation process, nor has it guaranteed the right help to the people insured. Instead, sickness rates have risen sharply since the first people lost their entitlement to benefit. The Government abolished the maximum time

limit in sickness insurance on 1 February 2016. In 2016 the Government intends to start work in the Government Offices to review how rehabilitation measures for the individual can be improved within the framework of the rehabilitation chain.

Reduce income inequalities

Disposable income inequalities have grown. There are several explanations for this. Above all, the incomes of people with the very highest incomes have increased faster than for others, due to increased capital income. The abolition of real estate tax and wealth tax has also contributed to the increase in the income of people with the highest incomes. In addition, the lowest incomes have increased relatively slowly. Transfers, which constitute a larger proportion of incomes there than in the higher income brackets, are normally linked to price developments, or are determined at fixed amounts, and they have had weaker growth than wages (see Annex 2).

The percentage of individuals with a low economic standard has increased since 1995. The main part of the increase has taken place since 2006. The gradual extension of the in-work tax credit enhanced incomes for people in the middle income ranges. At the same time the previous Government reduced unemployment and sickness insurance benefits. This contributed to slower income growth for people with lower incomes than for others. Reduced benefits, together with differentiated and in many cases increased unemployment insurance contributions, meant that many people left the unemployment insurance funds. Uniformity of taxation is desirable. The previous Government's tax policy meant for example, that pensioners with the same income had to pay higher tax than people in work. All in all, these changes in tax and transfer systems meant an increase in the proportion of people with a low economic standard.

Figure 1.8 Proportion of individuals with a low economic standard 1995-2014

The Government wants to develop the Swedish model through a policy for increased economic equality. The Government has implemented important initiatives to strengthen the financial margins for households with low incomes. Sickness and activity compensation, maintenance support, the basic level of parental benefit, the housing supplement for pensioners and the national standard level of income support have been raised. In addition, the Government has raised the ceiling and basic level of compensation in the unemployment insurance system so that it gives better protection in the event of unemployment. These reforms contribute to reducing income inequalities.

Common welfare initiatives implemented are also of great significance for reducing income differentials and should therefore be taken into account when assessing the policy effects (see the in-depth article Distributional effects of Government Policy).

Reforms are still needed to boost the incomes of the most vulnerable members of society.

Maintenance support and housing allowance are not sufficiently adapted to the various living patterns and family constellations that exist today. The Government considers it important to increase the accuracy of distribution policy and intends to revisit this issue.

After a full working life no-one should need to be anxious about their old age. The Government has taken the first step towards abolishing the unfair difference in taxation of earned income and pension income. The

increased basic tax allowance for older people has been reinforced so that pensioners on the lowest incomes are not taxed at a higher rate than workers under the age of 65. This benefits women in particular, since their pensions are the lowest.

1.8 A secure safe society

Everyone should be able to feel secure and safe. In many ways Sweden is a secure country. For the population as a whole security is increasing and people's exposure to crime is decreasing. Yet while there is positive development in security, far too many people still feel insecure and exposure to crime is unevenly distributed between different areas and groups.

In some housing areas, the situation is increasingly characterised by social unrest, exclusion and crime. Women in general experience greater insecurity than men and every fourth woman feels insecure when she is out in the evening. Far too many women are still exposed to violence from friends or family. Men's violence against women is one of the ultimate expressions of inequality between women and men. This violence must stop.

The best way to reduce the suffering that crime leads to is to hinder and prevent the perpetration of crime. General welfare that levels life opportunities and combats economic vulnerability is a central part of this work.

It can never be acceptable that people do not feel secure in the areas where they live. The judicial system has an important role to play in the work of tackling the problems in some areas. Active law enforcement and crime prevention are needed here that include many different actors as well as a locally established police presence. One of the intentions behind the reorganisation of the police organisation is to operate closer to and in dialogue with the public. To improve security for residents in 2016 the Police Authority will start its crime fighting initiative in 14 priority areas that are particularly affected by serious crime. Despite increased resources to the judicial system in general and the police in particular the percentage of crimes that are cleared up has fallen. This is a matter of concern and work to increase the clear-up rate of crimes must be more effective.

Preventing and combating violence and other abuse against women is a top priority for this Government. In the work of reducing violence in close relationships preventive action is central. Part of this is influencing the attitudes of the perpetrators and promoting gender equality in general. It is also important that people exposed to violence receive the protection and support they need. The Government has therefore increased resources to non-profit women's shelters.

Increased resources to manage domestic security

The unstable geopolitical situation and increased threat from terrorism is a challenge to the Swedish Security Service. The Government has already allocated more funds to the Service but considers that the uncertainty in the rest of the world justifies deployment of additional resources. The Government therefore proposes in the Spring Amending Budget Bill for 2016 that the Swedish Security Service be allocated additional resources in 2016.

The workload of the Police Authority has increased in response to the refugee situation. This applies mainly to border police activities and external police activities to maintain order and security. In addition, the increased terrorist threat means that the Police Authority in conjunction with the Swedish Security Service needs to enhance its ability to prevent and avert terrorism. The Police Authority intends to increase the number of civilian employees to release police resources and to provide expertise in core operations. In 2016 the police have also started work on areas of special priority, which includes extra resources to area police.

The Government therefore proposes in the Spring Amending Budget Bill for 2016 that the Police Authority be allocated more funds in 2016. It must also be guaranteed that other important tasks can be carried out, such as work against hate crime.

To increase security at asylum centres the Government also intends to allocate more funds to the Swedish Migration Agency.

1.9 Promoting equality between women and men

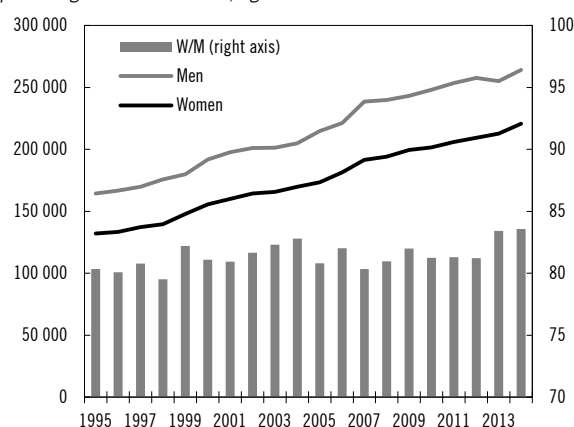
Sweden has a feminist government. The overall objective of the Government's gender equality policy is equal power for women and men to shape society and their own lives. Gender equality is ultimately a matter of justice and democracy. A gender equal society gives people the opportunity to develop without being limited by their gender. Increased gender equality is an important part of building our society and contributes to economic growth by utilising both women's and men's potential. Economic policy is crucial for women's and men's life conditions and consequently must be shaped by a feminist philosophy. It must redistribute power and resources so as to give women and men the same scope and opportunity to earn their own living, decide how to use their own time and participate in decisions that affect their own lives and the development of society.

In 2014 women of working age had on average 80 per cent of men's disposable annual income. The income differential between women and men has not decreased appreciably in the past 20 years (see figure 1.9). Women's lower incomes can be partly explained by gender segregation in the labour market. Women and men work to a great extent in different occupations and sectors and often have different positions. Women are overrepresented in occupations and sectors with lower wages. Women's work is valued less than men's work.

Women's lower disposable incomes can also be explained by their working part time to a greater extent than men and having more time off due to parental leave and ill health. The design of parental insurance is of central importance for this. Women's working conditions are also more insecure than men's, with more temporary employment contracts, and many women work less than they would like. Besides this, the work and working hours in many female-dominated sectors are organised in such a way that there are few full-time positions. Another explanation for women's shorter working hours is that they perform the greater part of the unpaid work in the home. It is also considerably more common for women to work part time to take care of relatives.

Figure 1.9 Individual disposable income 1995–2014

Median income in SEK (2016 prices) and women's income as a percentage of men's income, ages 20–64



Note: The data is from the sample Household Finances Survey (HEK) 1995–2012 and from the Statistical Analysis Register (STAR) for 2013 and 2014. The transition to STAR implies a break in the time series in the statistics.
Sources: Statistics Sweden and own calculations.

The current differences between women's and men's conditions are unacceptable. The Government takes the view that the gender equality perspective must be taken into account in all parts of policymaking.

The budget process and budget bill are of key importance in realising Government policy. It is therefore important that budget work is conducted so that effects and consequences for gender equality are included when taking decisions on the direction of policy and distribution of resources. The Government has taken steps to ensure that budget decisions are made on the basis of gender equality effects of the policy proposals. The work of developing gender budgeting is done on a continuous basis in the Government Offices. A more systematic working method provides the conditions for a clearer gender equality perspective in government policy.

The Government has allocated funds for continued evaluation and development of the work of gender mainstreaming and gender budgeting. The conclusions and analyses that emerge in the evaluations will be used in the work being conducted in the Government Offices and in other government agencies.

Sweden also has a feminist foreign and development policy with a clear focus on women's rights, representation and access to resources.

Further initiatives for gender equality

Economic independence is a prerequisite for gender equality. To achieve this, women must be able to participate in working life on the same terms and with the same conditions as men. Changing the conditions of working life and the distribution of paid and unpaid work are key factors. The Government sees no reason for the existence of differences in employment rate due to gender. Working full time should be the norm and part-time an option. Reducing involuntary part-time work and increasing women's labour force participation is important for women's opportunities to earn their own living and have a good life income as well as creating a more gender equal labour market. The social partners have an important role to play here. An increasing number of municipalities and county councils have made the decision to offer full time employment.

The Government considers that the opportunity to work full time is also a matter of making occupations in the welfare sector more attractive. Many in the female-dominated sectors state that they work part time because they cannot manage to work full time. The Government is therefore investing to improve the work environment and augment staffing in the welfare sector.

It is also important to eliminate unjustified gender pay differentials. One tool in the work of combating pay differentials is to make them visible. Consequently, the Government has proposed a pay survey for gender equal wages to be carried out every year.

Measures to increase employment and reduce unemployment are important to achieve the Government's gender equality objectives. The Government has instructed the Swedish Public Employment Service to promote gender equality and combat a gender segregated labour market.

On average women take 80 per cent of total parental leave during the child's first two years. Many women then work part time when the children are small and perform a major part of the unpaid work in the home. Women's double workload leads to a greater risk of sickness absence. The gender unequal take-up of parental leave also affects employers' expectations as to the extent to which women and men will take parental leave or reduce their working hours. All in all, this has negative effects on women's pay

growth and career opportunities. It also ultimately contributes to lower pensions for women.

To improve equality in the labour market, the Government has introduced a third month reserved for each parent in the parental benefit system. The objective is completely gender equal use of parental leave. The Government has therefore appointed an Inquiry to review the parental insurance system (ToR 2016:10). The Inquiry is to draw up proposals for how parental insurance can contribute to both gender equal parenthood and gender equality in the labour market. The Inquiry is also to analyse and identify how parental insurance can be better adapted to a modern labour market and to different family constellations. In addition, the Inquiry is to lay particular focus on the possibility of self-employed and students to use parental insurance.

Women often take a greater responsibility for caring for relatives and many work part time to do this. No-one should need to reduce their working hours because welfare sector services are not of sufficiently high quality. The Government's initiatives to stimulate availability of childcare in unsocial working hours and to increase staffing levels in elderly care will help to increase women's opportunities to take more gainful employment.

Another expression of the lack of gender equality in working life is that women are underrepresented in management and leadership groups. The Government's target is that the proportion of women on the boards of listed companies should be at least 40 per cent in 2016. After the annual general meetings in 2016 the target will be followed up. If it has not been achieved the Government intends to propose quotas for boards of listed companies.

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Equal rights and opportunities regardless of sexual orientation, gender identity or gender expression

The Government considers that every person, regardless of gender, sexual orientation, gender identity or gender expression must be respected for who they are and enjoy society's protection for this. To strengthen the position of LGBT

people in society the Government has augmented the government grant to organisations for homosexual, bisexual and transgender people or people with transgender identity or expression. The National Board of Health and Welfare has also been instructed to distribute funds to organisations that work to develop criminal victim support activities to LGBT people. This work of reform will continue.

Violence in close relationships, including violence that affects LGBT people, is a serious problem in society that causes great physical and mental suffering. It must be prevented and combated.

In 2014–2016 the Government implemented a series of initiatives within the framework of the national strategy for equal rights and opportunities regardless of sexual orientation, gender identity or gender expression. Continued efforts are needed in the area. The Government therefore considers that it is important to continue work on the national strategy.

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Distributional effects of Government Policy

Distribution policy must help growth and welfare to be shared by everyone so that living conditions and life chances are levelled out between individuals in society. An important part of redistribution in the Swedish welfare model is publicly financed welfare services such as schools, health care and social services. Part of the redistribution is also via taxes and transfers that directly affect disposable incomes. To fairly assess the effects of policy on income distribution both these aspects therefore need to be taken into account (there is a more detailed description in Annex 2).

Income inequalities have increased over many years and investments in welfare have been neglected. When the Government came into office there was a great need to invest in common welfare and low-income households. At the same time there was a need to adjust fiscal policy along more responsible lines to reduce the deficits in public finances.

The Government has implemented considerable initiatives in schools, health care and social services. The Government has also implemented a number of reforms targeting low-income households. The income tax increases estimated to be necessary to finance these important initiatives have been directed at people with relatively high incomes. Reduced income differentials with the Government's policy

The Government's policy is expected to reduce total income inequality, measured using the Gini coefficient. The proportion of people with a low economic standard (less than 60 per cent of the median income) is also expected to decrease (see table 1.6). The percentage is decreasing most for single parents and for the oldest pensioners. The percentage with a low economic standard is also decreasing more for women than for men.

Table 1.6 Effects of the Government's policy on the Gini coefficient and on the percentage with low relative economic standard.

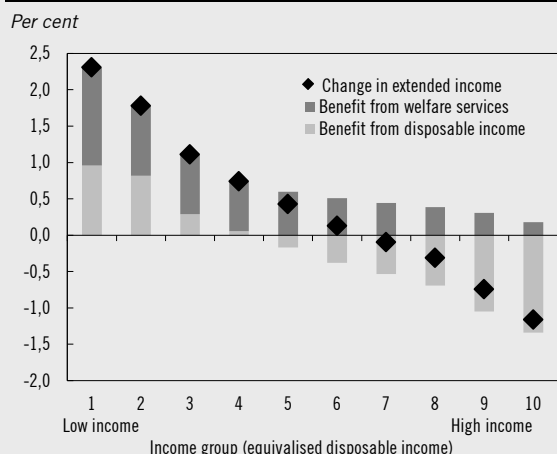
	Without the Government's policy	With the Government's policy	Reform effects
Gini coefficient	0,303	0,299	-0,004
Percentage with economic standard less than 60 per cent of the median	15,7	14,9	-0,8

Note: The Gini coefficient is a common measure that summarises the dispersion of incomes throughout the entire income distribution. The lower the values the more equal the distribution. The economic standard of the individual (equivalised disposable income) is calculated as the household disposable income divided by a consumption weight depending on the composition of the household. In that way a correction is made for the dependency ratio, so that individuals living in households of different sizes can be compared. All individuals in a family have the same economic standard.

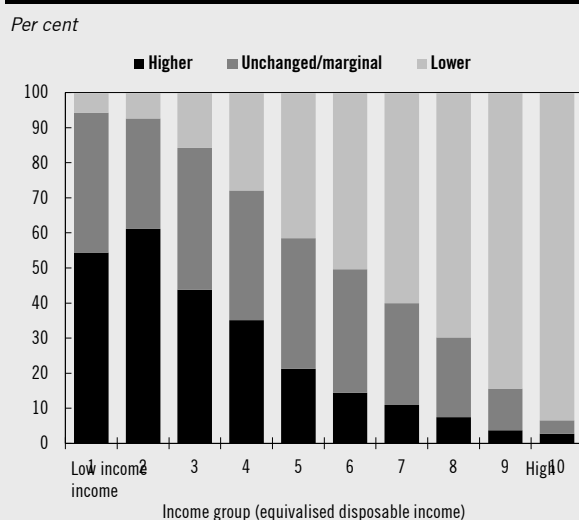
Source: Own calculations.

Even as regards the effect in different income groups the Government's reforms are effective in terms of distribution policy. On average the economic standard has increased in the lower part of the income distribution while on average it has decreased higher up in the income distribution. This is because the Government's reforms target people with low incomes while income tax increases have targeted people with higher incomes.

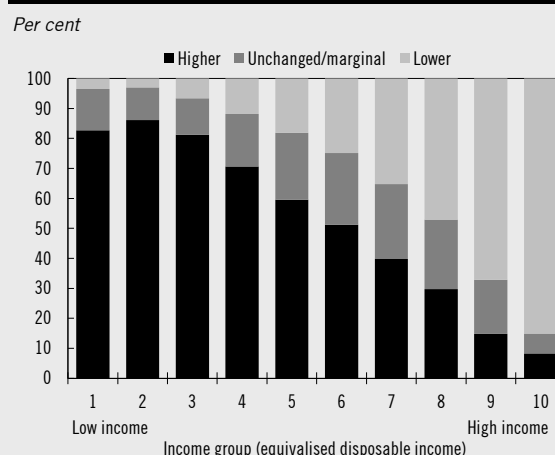
However, an extended income concept, which also takes into account the initiatives for welfare services, gives a more complete picture of the policy effects. The extended income increases on average for the six lowest income groups as a result of the Government's overall policy. Initiatives in health care, schools and social care contribute to an increase in economic welfare in all income groups, but the effect is greatest in the lower income groups (see figure 1.10).

Figure 1.10 Average effect of extended income in different income groups.*The effect varies within different income groups*

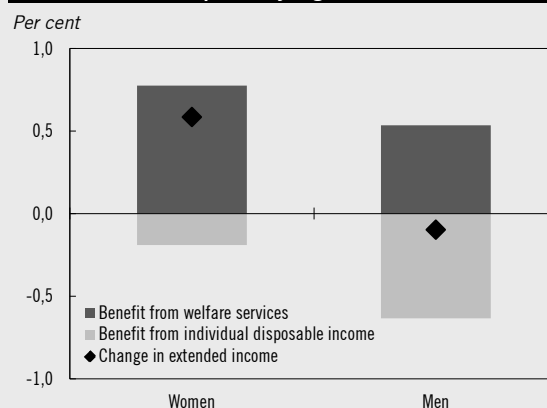
The effect on the economic standard varies within the income groups. In all income groups there are both people who are positively and negatively affected, but also people who are not affected at all. Just under a third are not affected at all by the reforms (see figure 1.11).

Figure 1.11 Percentage in different income groups with higher, unchanged and lower economic standard as a result of reforms

When the analysis is broadened and includes the Government's initiatives in welfare services there are more people who are positively affected and fewer who are negatively affected by the policies pursued (see figure 1.12).

Figure 1.12 Percentage in different income groups with higher, unchanged and lower extended income as a result of reforms*The effect is greater for women than for men*

For women the Government's policy is expected to mean that the individual extended income on average increases by 0.6 per cent (see figure 1.13). The policy helps to strengthen economic equality between women and men.

Figure 1.13 Effect on individual extended income for women and men respectively (aged 20 and older)

Note: Individual extended income is individual disposable income including subsidies for individual welfare services such as childcare, education and health and medical care. The total subsidies are added together for each adult in the household. The total of the children's subsidies are equally divided between the adults in the household.

Sources: Statistics Sweden and own calculations.

Strong growth in disposable income in 2015 and 2016

Households' real disposable income is expected to increase by about 3 per cent in 2015 and 2.3 per cent in 2016 (see Annex 1). The changes in tax and transfer systems in 2015 and 2016 mean that disposable incomes decrease on average by 0.5 per cent. The decrease in income as a result of the reforms is, however, small in relation to the strong underlying increase in disposable income.

Effective childcare and women's employment

Sweden has the highest labour force participation for both women and men in the EU. The difference in labour force participation between women and men is small from an international perspective.

Table 1.7 Labour force participation and employment rate for women and men in the EU in 2014

Persons aged 20-64, per cent

	Labour force participation		Employment rate	
	Women	Men	Women	Men
Sweden	83,2	88,8	77,6	82,2
Lithuania	77,9	83,4	70,6	73,1
Finland	77,7	81,2	72,1	74
Denmark	77,3	84,5	72,2	79,5
Germany	76,6	86,9	73,1	82,2
Latvia	76,1	83	68,5	73,1
Estonia	75,8	84,9	70,6	78,3
Netherlands	75,2	86,8	69,7	81,1
Cyprus	75,1	86,4	63,9	71,6
Portugal	75	82,6	64,2	71,3
UK	74,4	86,7	70,6	81,9
Austria	73,9	83,1	70,1	78,3
Spain	73,1	84,7	54,8	65
France	73	81,7	66,2	73,7
Slovenia	71,2	78,7	63,6	71,6
Czech Republic	69,8	86,5	64,7	82,2
Luxembourg	69,4	83,1	65,5	78,4
Bulgaria	69,1	77,7	62	68,1
Belgium	68,2	78,6	62,9	71,6
Slovakia	67,7	83,7	58,6	73,2
Ireland	67,2	83,8	61,2	73
Croatia	65,7	76,3	54,2	64,2
Poland	65,6	80,4	59,4	73,6
Hungary	65,3	79,4	60,2	73,5
Greece	63,3	81,8	44,3	62,6
Romania	61	79,7	57,3	74
Italy	58,1	78,9	50,3	69,7
Malta	54,5	85,3	52	80,4
European Union	70,6	83,2	63,5	75

Note: In order of women's labour force participation.

Source: Eurostat.

An important explanation of this is assessed to be good access to childcare in Sweden. Since women to a greater extent than men stay at home to look after small children, access to well-functioning, affordable childcare is an important

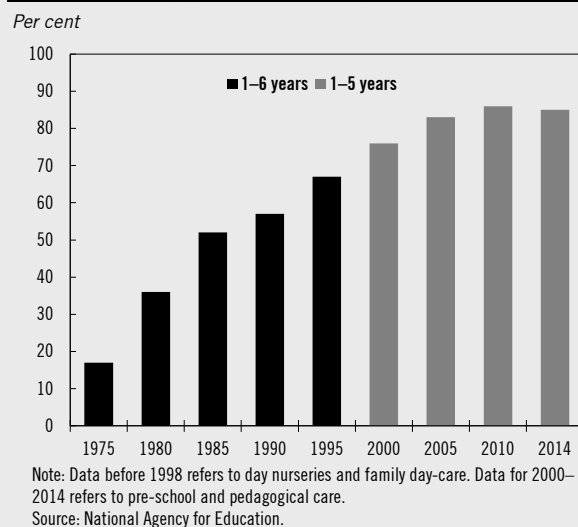
condition for women's participation in the labour market.

In many other countries, parents' costs for childcare can mean that it is not worthwhile for both parents to work, or for single parents to work. Among others, the European Commission and the OECD emphasise the importance of access to good quality, affordable childcare for increasing women's participation in the labour market and contributing to gender equality.

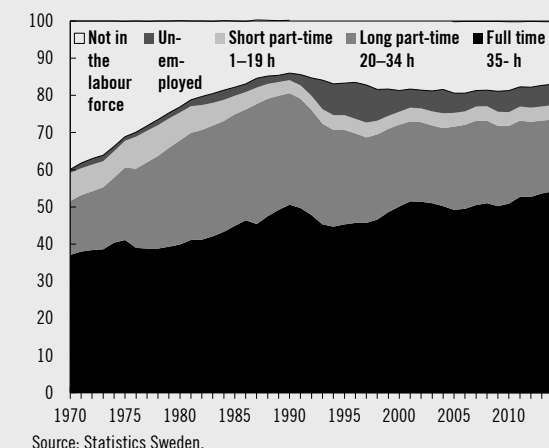
More children in childcare and increased women's employment

A major expansion of general welfare was started in Sweden in the 1960s. Childcare and elderly care enabled more women to work more. Between the 1970s and 1990s in particular, the percentage of children enrolled in pre-school activities increased substantially (see figure 1.14).

In the 1970s and 1980s women's participation in the labour market also rose (see figure 1.15) while men's labour force participation was relatively unchanged. In the same period there were several reforms aimed at facilitating women's participation in the labour market, such as parental insurance and the Parental Leave Act. The abolition of joint taxation also contributed to increasing married women's labour force participation. It is difficult to assess the significance of individual reforms for women's increased labour force participation.

Figure 1.14 Percentage of children enrolled in pre-school activities in the population at the respective age**Figure 1.15 Women's work status and hours normally worked 1970–2014**

Percentage of the population aged 20–64



According to research literature, increased access to and increased childcare subsidies had varying effects on women's employment and hours worked in different countries.² This may be due to different starting points as regards women's labour force participation, demand for labour and access to other childcare. The fact that it takes time to change norms and decisions concerning participation in the labour force may also limit the direct effects of increased access to and increased subsidies of childcare.

² See for example a survey of the literature in: Bettendorf et. al., Childcare subsidies and labour supply – Evidence from a large Dutch reform, Labour Economics, 2015.

According to the OECD, high childcare costs imply more part-time work among women.³ Research also shows that the increased access to childcare for unemployed parents of young children, which was implemented in Sweden in 2001, contributed to women's increased probability of finding work.⁴

Sufficiently high quality childcare is also a condition for parents to be able to feel secure about leaving their children during working hours. The function of childcare has changed over time from being mainly a way to enable parents to work to also including a growing educational content. The effects of Swedish pre-school for children today are difficult to assess, since most Swedish studies are based on the pre-school of the 1970s and 1980s. Differences between countries as regards the quality of childcare and which children attend, also make it difficult to transfer findings to Sweden. However, there seem to be positive effects for children of attending pre-school. Research shows that children who have attended pre-school succeed better at school than those who have not. This applies in particular to children whose parents have a short education or children living in vulnerable situations for various reasons.⁵ A good pre-school may also be important for providing good opportunities to children who do not have Swedish as their mother tongue to develop their language skills.⁶

³ Closing the gender gap (OECD 2011).

⁴ Vikman, Hur påverkar tillgång till barnomsorg arbetslösa föräldrars sannolikhet att få arbete? Arbetsmarknad & arbetsliv, 2010

⁵ See for example PISA in focus, 2011/1, Does participation in pre-primary education translate into better learning outcomes at school? (OECD 2011) and Perspektiv på barndom och barns lärande. En kunskapsöversikt om lärande i pre-school och grundskolans tidigare år (National Agency for Education, 2010)

⁶ See for example Utbildning för framtidens arbetsmarknad, Annex 5 to the Long-Term Survey of the Swedish Economy 2015 (Swedish Government Official Reports SOU 2015:90).

Tax issues ahead of the Budget Bill for 2017

Earlier this year the Ministry of Finance circulated for comment tax proposals announced by the Government in the Budget Bill for 2016 that are included in the income calculations approved by the Riksdag in the central government budget for 2017–2020. The consultation process is part of the preparation of the proposals with a view to recommending to the Riksdag in the Budget Bill for 2017 that these be implemented from 2017.

The proposals announced and circulated for comment are

- limited upward adjustment of the lower threshold for state income tax for 2017,
- extension of the temporary reduction in the taxable benefit value of certain green cars, and
- reduced advertising tax.

The Ministry of Finance has also circulated proposals for comment on

- tax reduction for repair and maintenance of white goods,
- reduced employer's contributions for sole traders in certain cases,
- deduction for climate compensation through acquisition and removal (cancellation) of emission allowances,
- prohibiting deductions for interest on certain subordinated debt and certain simplifications in the area of corporate taxation,
- reduced energy tax on electricity for large data centres, adjustment to EU state aid rules, continued reduced energy tax in some parts of northern Sweden etc.,
- equal taxation of diesel fuel in boats, ships and working machinery in aquaculture, forestry and agriculture,
- tax on chemicals,
- definition of taxation year for certain excise duties,
- EU adjustment of right of deduction for meals for entertainment through increased deduction for value added tax but abolished right of deduction for income tax,

- reduced value added tax on minor repairs (from 25 per cent to 12 per cent),
- exemption from congestion tax in the Backa area of Gothenburg, and
- amended interest rate earned on the tax account.

The proposals circulated for comment will be reviewed by the Council on Legislation before they are submitted to the Riksdag.

In addition, the Government intends to return to the Riksdag in the Budget Bill for 2017 with proposals concerning

- limited upward adjustment of the upper threshold for state income tax for 2017,
- increased tax of 1 per cent on spirits and 4 per cent on other alcoholic beverages, and
- the introduction of possible tax exemption from value added tax for companies with a maximum annual turnover of SEK 30 000.