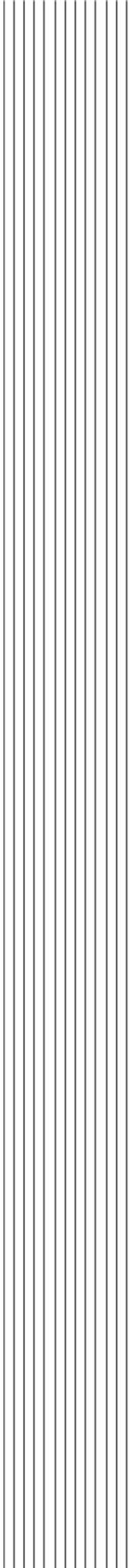


# Guidelines for economic and budget policy





## 2 Guidelines for economic and budget policy

### Introduction

Sweden's social problems must be solved. More jobs will be created, the challenge of climate change addressed, welfare secured and knowledge in schools enhanced. Sweden should be a society characterised by freedom, community, cohesion and respect for the life choices of the individual. The parliamentary situation following the 2018 parliamentary elections has meant the re-examination of old positions and emergence of new collaborations. Confidence in our democracy must be deepened.

At the same time, we are facing major challenges: climate change, inadequate integration, segregation and dependence on benefits, globalisation that continues to test our competitiveness, widening gaps, increasing polarisation and racism, gang crime, demographics, a housing shortage and an increasingly uncertain neighbourhood.

With different political starting points, the parties behind the January Agreement are united in defence of a strong rule of law and unwavering protection of individual rights and freedoms, opposition to xenophobia, and support for free and independent media, gender equality, equity and equal opportunities, regardless of background.

Our welfare must be secured by high employment levels among both women and men, strong incentives to work and better conditions for innovation, exports and job creation. Having a job provides opportunities to earn a living and be self-determined. Opportunities to start and run a business, and succeed as an entrepreneur,

must improve, and taxes on labour must be reduced. More reforms are needed to enable employers to fill the more than 100 000 job vacancies for which there is often a lack of applicants with the right skills today. The business sector's overall competitiveness requires more innovative and growing companies. Wealth-creating forces create jobs throughout the country.

Global climate change is the critical issue of our time. Sweden will be the world's first fossil-free welfare nation. The target set by the Riksdag – that Sweden will have net zero greenhouse gas emissions by 2045 at the latest – must be achieved. Economic policy instruments will be used to move society in a more environmentally friendly direction and enable more people to make climate-smart choices in their everyday lives. Environmentally harmful subsidies need to be phased out, both in Sweden and globally. A robust green tax shift will be implemented. Society's climate investments will increase, contributing to jobs and entrepreneurship throughout the country. Companies have a key role in greening the economy. The ambition is for climate change adaptation to take place in a way that enables everyone to be part of the solution. Economic policy must continue to promote the achievement of the Swedish environmental objectives. The protection of endangered species and valuable natural environments for future generations goes hand in hand with strengthened legal certainty for landowners and companies.

Our universal and tax-financed welfare system supports a high level of labour force participation, contributes to equity and gender equality, and

paves the way for improved life chances for everyone. Health care waiting lists must be shortened. Financial security for pensioners who have worked and paid taxes all their lives must be enhanced. The opportunities for people with disabilities to participate in working and social life must be improved. Everyone who is entitled to the assistance allowance must also receive it.

The integration of newly arrived immigrants into Swedish society must be characterised by clear expectations – and good opportunities – to learn Swedish and the vocational skills that are in demand in the labour market. Although the employment rate among foreign-born people is higher in Sweden than the corresponding average in the EU, the difference compared with the employment rate among native-born people is considerable and must be reduced. Both women and men must encounter the same expectations from society and be given the same opportunities to support themselves via entry into the labour market. Cohesion and gender equality require that women and men have the same right to education and work. Honour-related violence and oppression must always be combated. They must be pre-empted, prevented and punished. Sweden must have a humane, legally certain and sustainable migration policy that protects the right of asylum and is based on a broad agreement in the Riksdag.

Everyone must be given the same opportunities to gain the knowledge and skills required by the labour market of tomorrow at a time when requirements are being driven up by tougher international competition. Sweden's position as a knowledge nation must be strengthened. Schools must be characterised by order, peace and quiet for studies, a focus on knowledge, and equity. Teachers' work time must be spent teaching.

The whole of Sweden must thrive and grow. Opportunities to live, study and work throughout the country will be improved through broadband, roads, railways and housing construction. The development of rural areas is crucial for the whole of Sweden. This is where climate-smart energy, healthy and safe food, and values that contribute to jobs and welfare are created.

More housing is needed to make it easier for young people to get their first home, for people to move to where the jobs are, and to break the trend of increasing housing segregation. The

housing market needs to be reformed so that more people's needs can be met, the rules are simplified and competition is increased. More mixed housing areas are needed, with greater opportunities to get onto the property ladder. Mobility in the housing market is improved when property chains provide better utilisation of the housing stock.

We will continue to strengthen efforts to combat crime and terrorism. The police and the entire judicial system must have the resources necessary to tackle serious and organised crime, have a high level of preparedness to counter terrorism, and ensure security in people's daily lives. Security throughout the country must be enhanced, the judicial system strengthened, and the number of police employees increased by 10 000 by 2024. The whole of society must do its part in combating crime and preventing criminality.

Our neighbourhood is becoming increasingly uncertain, while extreme forces are fomenting polarisation, distrust and xenophobia in our country. Sweden's democracy and right to self-determination must be protected from internal and external threats through robust efforts to combat all forms of violent extremism. A continued increase in defence capabilities enhances security in Sweden and stability in our neighbourhood. At a time when authoritarian movements are calling for strong leaders, the responsibility rests heavily on elected representatives to demonstrate democracy's superior ability to solve social problems.

The Swedish economy has performed strongly. Despite increasing economic uncertainty, Sweden's economic starting position is good. Our public finances are in good order, while the central government debt-to-GDP ratio in Sweden is the lowest since 1977 and the employment rate is the highest in more than 25 years. This high level of employment has led to the lowest proportion of the population supported by compensation and insurance systems since 1981. The fiscal policy framework agreement must be safeguarded to ensure long-term sustainable public finances. Sweden stands well prepared to solve the social problems we are facing.

The Spring Fiscal Policy Bill is based on a policy agreement between the Swedish Social Democratic Party, the Centre Party, the Liberal Party and the Green Party.

Using the January Agreement as the foundation, we are now building change that is sustainable over time. We want to create conditions for a society where cohesion and security go hand in hand with people's freedom and opportunities. This is how we will move Sweden forward.

**Table 2.1 Proposals for reforms and financing in the Spring Amending Budget for 2019**

SEK million

	2019
<b>More people in work</b>	
Reduction of employers' social security contributions for young people	380
Extended reduction of employers' social security contributions for the first employee	120
Retained reduction of VAT on nature tours	170
Equipping jobseekers to meet employer needs	340
Removal of the collective agreement requirement for new start jobs	45
Export initiative	65
<b>Strengthened welfare system</b>	
Act concerning Support and Service for Persons with Certain Functional Impairments – the right to support for breathing and tube-feeding	150
Initiatives to promote gender equality and combat honour-related violence and oppression	140
More teaching assistants	475
Funds to the Swedish Gender Equality Agency and the Swedish Agency against Segregation	51
Retained free admission to museums	60
Incentive grants to culture schools	50
<b>Growth throughout the country</b>	
Measures and support to agriculture due to extreme weather	350
Enhanced broadband expansion throughout the country	100
Regional airports	57
<b>Sweden a fossil-free pioneer</b>	
Reinforcing the Climate Leap, including biogas and home charging	750
Reinforcing the Green Industry Leap	100
Facilitating train travel to destinations abroad, incl. night trains	50
Investment support for negative emissions, research, development and testing	100
Protection of valuable natural environments, compensation to landowners of woodland key habitats	150
Protection of valuable natural environments	100
Measures for valuable natural environments, wetlands	200
Clean seas	200
Solar cell subsidies	300
<b>Total reforms</b>	<b>4 503</b>

2019

<b>Financing</b>	
Tax amendment	1 331
<i>of which</i>	
<i>Modified fuel tax on certain heat production</i>	182
<i>No to abolished aviation tax</i>	785
<i>Raised chemicals tax</i>	224
<i>Abolished tax reduction for diesel in industrial mining activities</i>	140
Funds allocated in the Riksdag budget <sup>1</sup> to be decommitted	725
Amended offsets	700
Slower expansion of special training programmes etc.	335
Adjustment of underutilised government grants for vocational adult education	397
Streamlining business policy	250
Interrupted prolongation	244
Other	604
<b>Total financing</b>	<b>4 586</b>
<b>Total reforms and financing</b>	<b>83</b>
Unavoidables and necessary additional funding in the Spring Amending Budget for 2019 (net)	-1 481
<i>of which</i>	
<i>Additional funds to legal counsels</i>	-665
<i>New pharmaceutical reimbursement system agreement</i>	-630
<b>Total impact on public finances</b>	<b>-1 398</b>

<sup>1</sup> Adopted budget for 2019 (Committee Report 2018/19:FiU1, Riksdag Communication 2018/19:62).  
Source: Own calculations.