

3 Guidelines for economic and budget policy

3.1 Introduction

The whole of Sweden is now coming together in the fight against the COVID-19 virus. The pandemic is a serious threat to human life and health, and serious economic consequences will follow in its wake. All the necessary measures and resources must be used to limit the spread of the virus. The impact on businesses, jobs and the economy must be pushed back. The virus outbreak and its consequences must be addressed through cooperation and shared responsibility, both in and between countries.

At present there is great uncertainty about how quickly the virus is spreading, and on what scale, as well as about the seriousness of its impact on the economy. The situation can change very quickly. Thanks to strong public finances, Sweden is well placed to take the measures required.

In spring 2020 the Government presented a large number of measures in five additional amending budgets and in the Government Bill ‘Spring Amending Budget for 2020’. Several of the measures have already entered into force thanks to broad consensus in the Riksdag about the seriousness of the situation. Both the measures proposed and the Spring Fiscal Policy Bill for 2020 build on a political agreement between the Swedish Social Democratic Party, the Centre Party, the Liberal Party and the Green Party.

The spread of the virus must be limited

Everyone working in health care and communicable disease control must have the tools and resources needed to manage and limit the spread of the virus.

Through their responsibility for health and social care, the regions and municipalities have a crucial role in fighting the spread of the virus. The local government sector is being given funding, both targeted and general, to deal with the immediate additional costs resulting from the outbreak. The performance requirements in the ‘waiting list billions’ are being temporarily removed. Funds are being set aside to rapidly increase the number of tests.

Government agencies participating in action to limit the outbreak must have the resources they need. The Public Health Agency of Sweden, the National Board of Health and Welfare and the Swedish Medical Products Agency have therefore had their appropriations increased. The National Board of Health and Welfare’s credit facility for preparedness investments is being increased to enable the Board to buy testing, personal protection and intensive care equipment and other products.

The risk of overwhelming the health care system decreases the more the spread of the virus is limited. The sick pay standard deduction and the medical certificate requirement during a sick pay period have been temporarily removed and the resources for disease carrier’s allowance have been increased. The Government also proposes increased funds for the Swedish Research Council to finance more research intended to combat the virus and prevent future pandemics.

To increase public awareness about the virus outbreak, the Government has commissioned the Swedish Civil Contingencies Agency, working jointly with other relevant agencies, to rapidly produce national information material and to spread this information to as many people as possible.

Several restrictions have been introduced to limit the spread of the virus. Non-essential travel to Sweden and public gatherings and events for more than 50 people have been banned. In restaurants and bars only table service is permitted. To protect older people the Government has also imposed a ban on visits to all care homes for older people in Sweden. It is also important that everyone takes responsibility for their own health and that of other people.

Impact on Swedish jobs and businesses must be pushed back

The economic impact of the COVID-19 virus is hitting the business sector very hard. Many business owners are experiencing great uncertainty and do not know whether their business will survive or what will happen to their employees. To support viable businesses and reduce the number of jobs lost, the Government has presented several crisis packages containing measures to reduce costs, strengthen liquidity and improve access to financing.

A system of support for short-term layoffs has been introduced to relieve businesses of wage costs. The aim is for more businesses to survive and fewer employees to lose their jobs. A temporary reduction of employers' social security contributions and the general salary contribution for the first 30 employees for four months is in place. The social security contributions of self-employed people have also been reduced. Central government will temporarily cover employers' sick pay costs, and sole traders with an F-tax card will be compensated through sickness benefit on days 1 to 14 of their sickness period.

The Government has also increased the opportunities to defer payments of taxes and contributions, and temporary changes have been made to the rules on tax allocation reserves for sole traders. To facilitate lending to small- and medium-sized enterprises in particular, the banks have been given the possibility of advancing loans with the support of state credit guarantees. Almi Företagspartner will receive a capital injection to increase its lending to small- and medium-sized enterprises. Increases are proposed in the Swedish Export Credit Corporation's credit facility and the Swedish Export Credit Agency's guarantee framework. The Government has also created conditions for credit guarantees to airlines.

To mitigate the negative impact on vulnerable sectors such as durable consumer goods, hotels and restaurants, rent support has been introduced, where central government covers half of the rent rebate up to a maximum of 25 per cent of the rent. The Government is also proposing additional funding to support cultural activities throughout the country and is providing the Swedish Sports Confederation with funds to distribute to sports associations in Sweden.

Security and transition for people who become unemployed

Despite the extensive measures that have been taken to support viable businesses, many people are going to lose their jobs. In view of the present economic situation, several temporary changes have been made in the unemployment insurance system to make it easier to qualify for benefit and to improve the financial security that the insurance provides for people who become unemployed. In addition, measures are proposed to provide good transition opportunities.

More funding is proposed for Arbetsförmedlingen (the Swedish public employment service) to deal with higher unemployment and ensure equivalent service levels throughout the country. For the Government, it is important that Arbetsförmedlingen is given the conditions necessary to manage the situation. Funds are therefore also being provided to enable more people to participate in measures leading to jobs, such as employment training, including distance training, extra jobs, and support and matching services. The period for which extra jobs, introductory jobs and new start jobs can be held is being temporarily extended.

Sweden's main competitive advantages include an innovative and knowledge-intensive business sector and a high capacity to transition to new jobs when old ones disappear. To enable more people to enhance their skills or transition to a new occupation, the Government proposes that more places be provided at universities and other higher education institutions, higher vocational education, vocational adult education and folk high schools. In 2020, central government will be fully responsible for the financing of regional vocational adult education.

Students should not have to run the risk of being unable to support themselves if their instruction is cancelled. The Government has therefore decided that, in such cases, students will be able to retain student finance granted. To ensure that students who choose to work part-time, in health care for instance, will not have their student aid reduced, the income ceiling has been temporarily removed.

The Government will also monitor how the economic impact of the pandemic affects businesses' competitiveness, the conditions to live and work throughout the country, different groups in society, and economic equality between women and men.

Continued fight against societal problems

Looking beyond the ongoing pandemic, unemployment, climate change, the growing needs in welfare provision, the gap between urban and rural areas, shortcomings in integration, learning outcomes in schools and crime are societal problems that must be addressed through further reforms.

The crisis may have serious consequences for Sweden for a long time. As soon as the fight against the spread of the virus permits, economic policy will be aimed at supporting a rapid recovery.

Sweden aims to be the world's first fossil-free welfare nation. Sweden will continue to take a leading role at both national and international level in implementing the Paris Agreement and the 2030 Agenda. The Government proposes an expansion of support for the installation of solar cells to enable more people to be granted support. The Government also proposes investment in green jobs and a reinforcement of support for the production of biogas.

Our universal and tax-financed welfare system supports a high level of labour force participation, contributes to social equality and gender equality, and paves the way for improved life chances for everyone. Regions and municipalities are being given additional general reinforcements of their resources to cope with the strained economic situation. The Government proposes providing SEK 20 billion of fresh funding in 2020, of which SEK 12.5 billion is permanent additional funding for the local government sector. These additional resources will contribute to good access to health care, schools, social care and public transport of high quality.

The causes of crime must be addressed and organised crime must be broken. The Government therefore proposes strengthening the judicial system by providing additional funding for bodies including the Swedish Prison and Probation Service, the

National Board of Forensic Medicine, the National Board of Institutional Care and the Courts of Sweden, including the migration courts. Additional funding is also proposed for the Swedish Security Service, the Swedish Data Protection Authority and Swedish Customs.

The virus outbreak can exacerbate the situation of people subjected to domestic violence or to honour-based violence and oppression. Funding is therefore being provided for organisations working with children in vulnerable situations and organisations working with women and children subjected to violence.

In troubled times it is even more important for society's institutions to stand up for free journalism, the rule of law and human rights. The Government is providing permanent additional funding for state support for the media.

Alongside the management of the acute crisis, work on reforms will continue in accordance with the policy agreement between the Swedish Social Democratic Party, the Centre Party, the Liberal Party and the Green Party.

Reforms

Table 3.1 Measures in additional amending budgets in spring 2020 and proposals in the Spring Amending Budget for 2020

SEK million	2020	Budget ¹
Measures and proposals		
The spread of the virus must be limited		
Targeted funding for health and social care	3 000	AAB2, SAB
Disease carrier's allowance	500	AAB2
Individual benefit for sick pay standard deduction	1 700	AAB2
Increased COVID-19 testing	1 000	AAB5
Removal of medical certificate requirement from day 8	350	AAB2
Removal of performance requirement for waiting list billions		SAB
Higher credit framework for National Board of Health and Welfare for preparedness investments		AAB2, AAB5
Funding to the Swedish Civil Contingencies Agency for information campaigns	75	AAB2
Funding to the Swedish Research Council for virus and pandemic research initiative	100	VÄB
Other items	221	AAB2, SAB
Impact on Swedish jobs and businesses must be pushed back		
<i>Reduced costs for businesses</i>		
Reduced employers' social security contributions (gross)	30 500	AAB4
Reduced individual contributions (gross)	2 180	AAB4
Short-term layoffs	19 500	AAB2, SAB
Discount for fixed rental costs in vulnerable sectors	5 000	AAB5
Suspended sick pay responsibility for employers	6 500	AAB2
Support to sole traders in the event of illness	150	AAB2, SAB
<i>Liquidity reinforcement measures</i>		
Higher allocation to tax allocation reserve	1 540 ²	AAB4
Deferred payment of taxes and contributions	171	AAB2

VAT deferral for full-year reporters		AAB4
Other items	24	AAB2
<i>State credits and loans</i>		
State credit guarantees for loans to companies		AAB3
Increased and expanded credit facility, Swedish Export Credit Corporation		SAB
Increased guarantee facility, Swedish Export Credit Agency		SAB
Capital injection ALMI	3 000	SAB
Credit guarantees for airlines		AAB1
<i>Other consequences</i>		
Support to sport and culture	1 000	AAB5
Support to local journalism	200	SAB

Security and transition for people who become unemployed

<i>Employment must be safeguarded</i>		
Funding to Arbetsförmedlingen	330	SAB
Summer jobs for young people	180	SAB
Green jobs	150	SAB
More programme measures	1 870	SAB
Extended time in new start jobs	50	SAB
<i>Reinforcement of unemployment safety net</i>		
Shorter membership condition in unemployment insurance fund	331	AAB5
Higher ceiling for income-related benefit	3 466	AAB5
Higher ceiling for basic amount	610	AAB5
Suspension of unemployment insurance fund qualifying days	397	AAB5
Relaxation of working conditions in unemployment insurance	427	AAB5
Simplified conditions for unemployment insurance for sole traders		AAB5
Processing cases at unemployment insurance funds	100	SAB
<i>Opportunities for education and training must be strengthened</i>		
Summer courses	177	SAB
More students in higher education	154	SAB
Foundation year at higher education institutions	277	SAB
Distance education initiatives in several forms of education	95	SAB
Regional vocational adult education	700	SAB
Expansion of folk high school	76	SAB
Investment in higher vocational education	369	SAB
Suspended income ceiling	1 000	AAB5
Other items	35	SAB

Continued fight against societal problems

Higher general government grants to local government sector	20 000	SAB
Extended biogas support	120	SAB
Solar cells, higher authorisation ³		SAB
National Board of Institutional Care	250	SAB
Migration courts	180	SAB
Other reinforcement of the judicial system	120	SAB
Legal counsels	800	SAB
Support to vulnerable children and women and children subjected to violence	100	AAB5
Other unavoidable items	736	SAB

Total	106 73
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<i>of which SAB</i>	<i>49 204</i>
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Adjustment for impact on public finances	596
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Total impact on public finances	95 135

¹ AAB1: Additional Amending Budget for 2020 – Credit guarantees for airlines due to SARS-CoV-2 (Govt Bill 2019/20:136). AAB2: Additional Amending Budget for 2020 – Measures in response to COVID-19 virus (Govt Bill 2019/20:132). AAB3: Additional Amending Budget for 2020 – Credit guarantees for loans to companies (Govt Bill 2019/20:142). AAB4: Additional Amending Budget for 2020 – Further measures in the area of taxation in response to COVID-19 virus (Govt Bill 2019/20:151). AAB5: Additional Amending Budget for 2020 – Further measures in response to COVID-19 virus (Govt Bill 2019/20:146). SAB Spring Amending Budget for 2020 (Govt Bill 2019/20:99).

² The possibility of making higher allocations to tax allocation reserves also affects tax revenue for 2019. The impact on public finances for 2019 is negative and amounts to SEK -9 billion.

³ The authorisation framework is increased by SEK 200 million for 2020, which is estimated to increase expenditure by SEK 100 million per year in 2021 and 2022.

Source: Own calculations.

Table 3.2 Scope of certain measures in extra amending budgets in spring 2020 and proposals in the Spring Amending Budget for 2020.

SEK million

Measures and proposals

Guarantees	Increase
State credit guarantees for loans to companies	100 000
Increased and expanded credit facility, Swedish Export Credit Corporation	75 000
Increased guarantee facility, Swedish Export Credit Agency	50 000
Credit guarantees for airlines	5 000
Total	230 000

Liquidity reinforcement	Maximum amount
Deferred payment of taxes and contributions	315 000
VAT deferral for full-year reporters	7 000
Higher allocation to tax allocation reserve	13 000
Total	335 000

Source: Own calculations.