

Budget Statement



1 Budget Statement

1.1 Summary

We want Sweden to be a nation at work, a cohesive, equal and sustainable society. Inequities in our society have been allowed to grow. Widening gaps fuel anxiety, selfishness and racism. 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 where no one is held back. Important investments in collective efforts to build our society will take priority over tax cuts. Sweden will lead the way on climate transition and gender equality, both nationally and internationally.

In Sweden, economic equality must be front and centre. Taxation according to means, full employment, low unemployment and sustainable development form the basis of our policies.

The Swedish model contributes to prosperity and development. Welfare enables high labour force participation, builds security and closes gaps in living conditions. Strong parties negotiating wages and conditions contribute to decent working conditions, competitive and innovative businesses, and favourable and broad-based wage growth. Clear regulatory frameworks, responsible investments for jobs and sustainable growth, and a tight fiscal policy have secured a high level of confidence and stable development for the Swedish economy. The fiscal policy framework is the basis of the Government's economic policy. Good order in the public finances contributes to good economic development and to safeguarding welfare systems.

Over the last two years, the Government has implemented a range of important reforms. Many of these investments are already producing results: jobs are up, the number of start-ups is growing, unemployment is being driven down, schools are employing thousands more people and Sweden is leading on climate transition. The Government has also concluded cross-party agreements on defence policy, migration policy, energy policy, climate policy and the fiscal policy framework, and in a range of other areas.

In a world characterised by slow economic recovery, Sweden is strong. Sweden's growth rate is very high by international standards and will continue to be among the highest in our part of the world in 2017. Unemployment is declining and the employment rate is the highest in the EU. Since the Government entered office, the number of people in employment has risen by 120 000. The large deficit of more than SEK 60 billion that the Government inherited has essentially been wiped out. This has been achieved despite the substantial impact on public finances due to the large number of asylum seekers.

Despite this positive development challenges remain, including high unemployment, declining educational performance, major climate adaptation needs and growing economic inequality. Many of the social problems the Government is now tackling were allowed to grow during the last two electoral periods. The Government represents a different policy direction. This Budget Bill is based on an agreement between the government parties and the Left Party.

More resources for welfare

As Sweden's population grows, strengthening welfare becomes particularly important. The previous Government gave priority to major tax cuts, and the number of people employed in welfare services in relation to the size of the population dropped by five per cent. Many local government services are strained. The Government is therefore making a historic investment in welfare by providing an additional permanent SEK 10 billion per year to the local government sector. This is the largest ever single reinforcement of general government grants to the local government sector. This additional funding will enable the development of welfare services, not least through the recruitment of additional staff. The Government's total welfare investments in previous fiscal bills, together with the welfare billions, correspond to the cost of employing more than 30 000 people.

Learning outcomes in schools have been falling for almost two decades, and during the last decade education has become increasingly unequal. The previous Government invested almost 20 times more in tax cuts than in schools. This trend must be reversed. Education is fundamental to building an equitable society and a prerequisite for our future prosperity. The Government has taken measures to make the teaching profession more attractive, such as improving conditions for teachers and introducing a stimulation package for higher salaries. Significant funds have been provided for early measures to ensure that all pupils can receive the support they need.

In addition to the welfare billions, the Government proposes continued initiatives to alleviate the teacher shortage, promote reading and improve the conditions for highly challenged schools. Now when the number of pupils is increasing, schools will have additional resources.

Improvements are also needed in health and medical care. The Government has made a number of important investments, including in cancer care and the introduction of free health care for the oldest old. Ill health and sickness absence in working life will be combated, not least in our welfare occupations. The Government is implementing a broad action programme and working with the social partners to make progress in this area. The increase in

sickness absence that began in 2010 is now slowing.

More jobs

For many years, high unemployment was allowed to become entrenched, in particular among young people. Although unemployment is now falling fast and employment rates are the highest in the EU, far too many people are still without a job.

While unemployment is high for certain groups, employers have difficulty finding people with the right skills. Labour shortages in many sectors are hampering development and growth. The Government is continuing its work to achieve the lowest unemployment rate in the EU by 2020. To increase people's chances of finding work and improve labour market matching, a new adult education initiative has been launched. Active labour market policy has been strengthened and special measures to enable newly arrived people to find work have rapidly been expanded. A 90-day guarantee for young people is being expanded and youth unemployment is at its lowest level for 13 years. However, more needs to be done, especially to enable those people now building a life in Sweden to find work more quickly. The Government proposes an expansion of the Adult Education Initiative, further steps to reform labour market policy, enhanced establishment activities for new arrivals and modern public sector jobs.

Since the Government took office, investments in housing and infrastructure have been increased to stimulate the economy and improve people's prospects of finding somewhere to live, moving and commuting to where the jobs are. After many years of low construction rates, housing construction is increasing substantially and the high pace is expected to continue. However, in many parts of Sweden, the housing shortage remains serious. The Government is implementing urgent reforms and in June 2016 presented a housing action programme.

Well-functioning transport and travel infrastructure contributes to employment, reduced emissions and competitiveness throughout the country. The Government has strengthened rail maintenance and taken important steps to promote sustainable transport. The Government intends to submit a

bill containing proposals on financial frameworks for a national plan for 2018–2029.

Sweden's global competitiveness is strong, but an active enterprise and innovation policy is needed to continue building on our strengths. The National Innovation Council has launched five collaborative programmes. Public venture capital is being developed. The upcoming research, innovation and higher education bill will provide long-term conditions for Sweden as a knowledge nation.

One of the world's first fossil-free welfare nations

Climate is the defining issue of our time, and Sweden will show global leadership by becoming one of the world's first fossil-free welfare nations. A new climate agreement is in place and now the countries of the world must get down to work. The key to reducing global climate emissions is for richer countries to lead the way and share solutions, while developing countries are given climate adaptation and transition support. The Government has taken a number of measures to reduce emissions and accelerate the transition to a sustainable society. Further steps are now being taken to reach Sweden's target to cut emissions by 40 per cent by 2020, compared with 1990 levels. The Government proposes that the support introduced for climate investments and urban environment agreements be expanded. The Government is also raising its level of ambition in the climate area by buying and cancelling emissions allowances and pushing for a tougher EU policy. The proposed reinforcement of the Climate Leap will strengthen opportunities for local and regional climate investments and charging points throughout Sweden.

To contribute to a reduction in the adverse climate and environmental impacts of consumption, the Government is presenting a strategy for sustainable consumption in this Budget Bill. The Government is also strengthening climate action in Sweden in its efforts to achieve the environmental quality objectives and the generational goal. A major nature protection initiative has begun and several marine reserves are being established. The Government also proposes investments in the promotion of a toxin-free environment and a circular economy. The modernisation of Sweden must continue if climate and environmental challenges are to be met. The Government is

implementing the 2030 Agenda, which combines climate and environmental responsibility with social and economic development.

Gender equality in society

In Sweden, significant differences in the living conditions of women and men still prevail. The Government intends to analyse the importance of developing the tax system from a gender perspective. The analysis is to be complete by 2018. The Government's objective is for women's employment rate to be as high as men's and for the gender pay gap to be reduced. Sweden has a feminist government pursuing a gender responsive budgetary policy. This means that social resources should benefit the entire population. The Government intends to establish a gender equality agency in 2018.

The Government's proposed additional resources to the local government sector will help improve employment and work environment conditions for women. In this Budget Bill the Government also allocates funds for strategic efforts to combat men's violence against women.

A safe and secure society

Crime causes many people living in deprived areas to feel unsafe. Society must both stand up to and prevent crime. To this end, the Swedish Police Authority will receive additional resources. The Government has also announced a review of legislation with regard to attacks on emergency services staff. To combat unfair competition in the transport industry, the Government intends to task the Swedish Police Authority with developing its cabotage control operations.

It is also important to intensify efforts to counter tax offences, tax evasion and tax avoidance.

Over the last year, Europe has experienced a number of horrific terrorist attacks. The threat against Sweden cannot be ignored. The Swedish Security Service will therefore receive additional funds.

In these troubled times, we need a government that takes responsibility for Sweden. In more and more places, we see that when large groups are allowed to fall behind, populism and distrust of society spread.

An equitable society

The proportion of individuals with low economic status has increased. The fight against inequality is important in building our society. Equality builds trust and better living conditions.

Differences in disposal income have been growing for some time. Some studies also suggest that the wealth gap has increased since the financial crisis. There are signs that the assets of high-wealth households have risen rapidly in value, while the trend for lower-wealth households has been considerably weaker.

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's policies have led to more even income distribution and the reforms in the Budget Bill are expected to contribute to further reducing income gaps and reaching the target in the 2030 Agenda.

Global challenges

In January 2017 Sweden will take up its seat on, and the presidency of, the United Nations Security Council and pursue a policy committed to promoting international peace and security. Investing in peacebuilding and conflict prevention is an effective way of promoting sustainable development and combating poverty and oppression.

At the end of last year, the Government took a number of measures, including temporary border and identity controls. These measures and political changes in other countries and in the EU have together led to a significant drop in the number of people seeking asylum in Sweden so far this year, compared with the same period last year. Efforts to achieve a more even distribution of asylum seekers in the EU continue. Sweden is contributing humanitarian assistance and supporting the peace process in Syria.

Sweden must have a well-functioning reception system that enables new arrivals to establish themselves in the labour market and in society in general. Immigration in Sweden is regulated and the right to asylum will be protected. Together in the coming years, we must ensure that everyone – both newly arrived and unemployed people – can begin working and contributing to building our society.

The authorities need to consider the need for protection of the many asylum seekers in an efficient and legally sound manner, and those who are allowed to stay must be able to receive education and training, or find a job more quickly. At the same time we must ensure a reception system that is efficient, effective and legally sound.

Sweden must not meet the future with welfare cuts, low wages and lower climate ambitions. Sweden must stand together. Our success will be built on work, knowledge, equality and investments for the future.

Table 1.1 Reforms and financing in the Budget Bill for 2017*Impact on general government net lending*

SEK billion	2017	2018	2019	2020
Reforms				
<i>More resources for welfare</i>				
Welfare billions	10.00	10.00	10.00	10.00
Higher income thresholds in housing allowance	0.15	0.15	0.15	0.15
Improved financial situation for people receiving sickness and activity compensation	0.34	0.51	0.51	0.51
Large-family supplement	0.30	0.30	0.30	0.30
Increased funds for culture	0.09	0.09	0.11	0.11
<i>More jobs</i>				
Expanded Adult Education Initiative and Equitable knowledge-based education	2.35	3.54	3.97	3.99
Measures for people with a weak attachment to the labour market	0.56	1.13	1.39	1.54
Measures for more effective integration	1.15	1.06	1.07	0.89
Measures for people with disabilities	0.18	0.40	0.50	0.51
Investments in infrastructure including infrastructure bill	0.20	0.00	3.70	5.00
Broadband expansion	0.10	0.15	0.25	0.35
Measures for increased construction	0.07	0.07	0.06	0.05
New part-time restriction in unemployment insurance etc.	0.10	0.12	0.13	0.13
Lower energy tax on electricity for large data centres	0.25	0.25	0.25	0.25
Growth support for the first employee	0.41	0.33	0.33	0.33
Research, innovation and higher education bill	0.39	1.49	2.10	2.82
<i>One of the world's first fossil-free welfare nations</i>				
Expansion and extension of the Climate Leap	0.10	0.10	0.70	0.70
Strengthening of urban environment agreements	0.25	0.50	0.00	0.00
Buying and cancelling emissions allowances	0.00	0.30	0.30	0.30
Development cooperation and international climate investments	0.50	0.50	0.50	0.50
Tax credit for repair of white goods	0.19	0.19	0.19	0.19
Lower VAT on minor repairs	0.27	0.24	0.24	0.24
Toxin-free everyday environment	0.04	0.09	0.09	0.09
Energy research bill	0.07	0.12	0.19	0.25
Upcoming tax amendments in the energy area	1.16	2.39	2.89	3.30
Turnover threshold for value added tax	0.28	0.25	0.25	0.25
Super green car rebate	0.70	0.00	0.00	0.00
Other environmental measures	0.21	0.27	0.30	0.32
<i>Refugee reception</i>				
Increased funds to the Swedish Migration Agency	1.69	1.25	0.48	0.07
Higher number of resettled persons	0.41	0.87	0.90	0.96
Measures to improve reception	0.66	0.70	0.31	0.26
<i>A safe and secure society</i>				
Reinforcement of the Swedish Police Authority	0.10	0.28	0.70	1.00
Increased funds to the Swedish Security Service to prevent and pre-empt terrorism	0.08	0.17	0.20	0.20
Delegation to reduce segregation etc.	0.07	0.10	0.12	0.13
Other security-building measures	0.21	0.19	0.29	0.29
Total reforms	23.60	28.06	33.43	35.95

Table 1.1 Reforms and financing in the Budget Bill for 2017 (cont.)*Impact on general government net lending*

SEK billion	2017	2018	2019	2020
Financing and budget consolidation				
<i>Income increases</i>				
Limited adjustment of the lower and upper brackets for national income tax	0.13	1.48	1.48	1.48
Higher threshold for travel expenses deductions	0.34	0.34	0.34	0.34
Abolished deductions for interest on certain subordinated loans	1.65	1.65	1.65	1.65
Abolished income tax deductions for official meals	0.77	1.03	1.03	1.03
Excise duty on chemicals	1.08	2.17	1.98	1.98
Alignment with EU state aid rules, continued reduction of energy tax in certain parts of northern Sweden etc.	0.48	0.48	0.48	0.48
Increased excise duty on alcohol in beer and wine etc. (4%) and spirits (1%)	0.39	0.35	0.35	0.35
Amended interest on tax account	0.73	0.00	0.00	0.00
Upcoming tax amendments in the energy area – increased energy tax on electricity	1.19	2.38	3.32	3.32
Data at the individual level in the 'employer's monthly tax return'	0.00	0.30	2.00	2.00
<i>Expenditure reductions</i>				
Reduced expenditure for migration and unaccompanied minors and young people	-4.53	9.98	8.10	7.68
Indexing of the state assistance allowance (1.05%)	0.08	0.17	0.26	0.36
Measures for more effective labour market policy	2.94	3.68	3.04	2.57
Cutback in activity support and labour market policy programmes, financing of education entry grant	0.40	0.79	0.78	0.76
Financing of vocational adult education initiative through reduction of funds for student places in municipal adult education	0.50	0.51	0.51	0.51
Arithmetical transfer	0.21	1.34	5.95	0.00
Total financing and budget consolidation	6.36	26.64	31.27	24.52
Other (net)	0.89	-2.86	-1.55	-1.30
Impact on public finances	-16.35	-4.27	-3.71	-12.73