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Assessment of the implementation of  
the European Commission  
Recommendation on **active  
inclusion**

[A Study of National Policies](#)

Sweden

Social Europe

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Assessment of the implementation of the  
European Commission Recommendation on  
**active inclusion**

[A Study of National Policies](#)

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**COUNTRY REPORT – SWEDEN**



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## Summary

The Swedish welfare state, including taxation policies, is based on the idea of activation. The reforms implemented, in particular since 2007, are even more emphasising this underlying feature of the Swedish model. Hence, work is more than ever an entrance ticket to the so-called universalistic Swedish welfare state. The more recent changes of welfare provisions and taxations can briefly be summarized as follow:

Job tax deduction, which means that income from work is taxed significantly lower than other types of incomes. Since most social benefits including pensions are taxed, job tax deduction is seen as an important activation measure. Eligibility criteria applied in the income maintenance (social insurance) system has become stricter. Strict deadlines and time limits have been introduced in both sickness benefit and unemployment benefits. The early retirement system has been reformed and is now a part of the sickness insurance system (not the pension system) and renamed to sickness and activation benefit (sjuk- och aktivitetsersättningen). Because of mainly non-decisions the income ceilings, i.e., the maximum benefit, in the social insurance system have been kept more or less constant over time. At same time the average income increase has been substantial. As consequence the system is developing into a flat rate system and the relative income loss most people are experience in case of illness or unemployment is substantial and increasing over time. The national norm for social assistance only increased marginally during the past decade. Hence, the gap between income from social assistance and income from work has increased dramatically.

The most serious flaw in the current policy is that the Government, even though the gradually are forced to rethink this position, seem to believe that everyone can, if given enough support and coaching, find an employment (or self-employment). Hence, the Government do not have an integrated policy about how to provide a decent living, including decent incomes, for people that are unable to support themselves via the labour market. The current policy continues to deepen the economic divide between those who are fully integrated at the labour market and those who are excluded from the labour market.

The current policy is still largely based on the program that the current coalition partners presented before the 2006 election. Thus, it is hard to point at any major change of direction since 2008. The main policy issues for the coming years are: A) Restoring the universalistic income maintenance principle in the social insurance programs (first and foremost within the unemployment insurance and the sickness benefit program). B) Guaranteeing an adequate income standard also for those who are furthest away from the labour market. C) Prioritize human capital investments among unemployed, in particularly among the long- term unemployed.





## 1. Integrated comprehensive strategies

The Swedish welfare state, including taxation policies, is based on the idea of activation. It is highly individualistic and taxation is since 1971, with some few exceptions, based on the individuals' income. Hence, spouses, even though married, are not jointly taxed. The very idea behind this reform was activation, or to be more precise, to increase female labour force participation. Most transfer systems are individual, including pensions and family related programs such as parental leave. They are with few exemptions earnings related and qualification rules are based on labour market participation. There are no formal rules regulating a family related responsibility for 'adult' children<sup>1</sup> or elderly parents. The main strategy to prevent poverty is to secure income maintenance for the individual in the case of labour market interruptions caused by temporary unemployment spells, sickness, work accidents, etc. All the income maintenance programs are linked to eligibility criteria, demanding labour market participation. A high labour market participation rate and a low unemployment rate are therefore the corner stones of the Swedish welfare state. The reforms implemented, in particular since 2007, are even more emphasising this underlying feature of the Swedish model. Hence, work is more than ever an entrance ticket to the so-called universalistic Swedish welfare state. The more recent changes of welfare provisions and taxations can briefly be summarized as follow:

- Job tax deduction, which means that income from work is taxed significantly lower than other types of incomes. Since most social benefits including pensions are taxed, job tax deduction is seen as an important activation measure.
- Eligibility criteria applied in the income maintenance (social insurance) system has become stricter.
- Strict deadlines and time limits have been introduced in both sickness benefit and unemployment benefits.
- The early retirement system has been reformed and is now a part of the sickness insurance system (not the pension system) and renamed to sickness and activation benefit (sjuk- och aktivitetsersättningen).
- Because of mainly non-decisions the income ceilings, i.e., the maximum benefit, in the social insurance system have been kept more or less constant over time. At same time the average income increase has been substantial. As consequence the system is developing into a flat rate system and the relative income loss most people are experience in case of illness or unemployment is substantial and increasing over time.
- The national norm for social assistance only increased marginally during the past decade. Hence, the gap between income from social assistance and income from work has increased dramatically.

### Job-tax-deduction

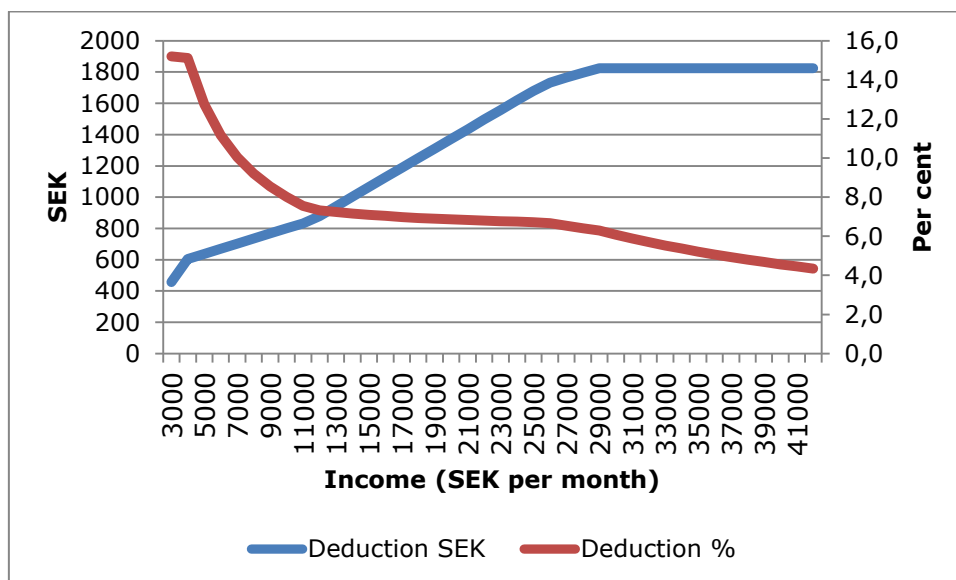
As can be seen in **Figure 1** the job-tax-deduction decreases taxation on work in a significant way. The profile of the deductions is, when looking at the percentage, progressive, i.e., it gives most to low-income earners. However, the progressive impact is not large enough to prevent a regressive profile when we look at the real value (SEK) of the deduction. Since incomes from for example sickness benefits, unemployment insurances, and pensions are not affected by the job-tax-deduction the

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<sup>1</sup> Parents have the responsibility to support their children until they reach the age of 18 or, if they participate in secondary schooling, until they reached 21.

economic incentive to work is strengthened. The deduction is by the Government seen as a main activation measure, increasing the incentive to work.

**Figure 1. Job-tax deduction at different income levels.**



### Eligibility

Introducing more strict eligibility criteria (affecting mainly unemployment benefits, sickness insurance, and early retirement) has been an on-going process since the 1990s. The main reforms, that pre-dates 2008 are the following. In order to receive unemployment benefit the unemployed must look for jobs at the whole labour market, they cannot restrict their search activity or acceptance of job offer to jobs within their profession or jobs in a certain geographic area. The right to sickness benefit is not anymore based on a diagnosis, it is a strict evaluation of work ability. Thus, a broken arm in itself is not a reason to receive sickness benefit, it is only a reason if the broken arm prevents you from carrying out your job. Early retirement, which symptomatic is renamed to 'sickness and activation benefit' (sjuk- och aktivitetsersättningen) is now part of the sickness benefit package and no longer a permanent benefit. The ability to return to the labour market is tested regularly. The ability to mix early retirement with other benefits, as for example unemployment insurances, in order to provide a 'flexible' labour market exit is basically closed and non-existing in the current system.

### Time limits and deadlines

A series of time limits has been imposed into the sickness benefit system. In case of absence of work ability sickness benefit can be received for a period of 90 days. After 90 days sickness benefit it is tested if there is any type of work tasks that can be done at the current employer. Hence, people are not forced to change employer, but they might be forced to conduct other work tasks. After 180 days it is tested if the health situation allows for any type of job accessible at the regular labour market. Thus, at this stage a person is not only expected to change job tasks but also employer. There have recently been changes that makes it possible to remained within the sickness benefit system in case of sever work limitations. The changes were at least partly a

result of media reporting about individuals that, for example, had severe cancer but nevertheless was transferred from the sickness benefit system to the labour market agency in order to find a job that fitted their work ability. But, the overarching strategy is to limit access to sickness benefit and force people to utilize, or perhaps better activate, whatever work ability they have.

Also the unemployment benefit system has strict timelines within the realm of what has been called Job and development guarantee (jobb och utvecklingsgarantin). Registered unemployed are in a phase 1 getting support, and job coaching. After 150 days they are transferred into phase 2 and a program that involves job training and work experience activates located at workplaces. After 450 days people approach the end station, phase 3. The unemployed is allocated a workplace and is suppose to carry out work but without competing with the regular labour market. Again the basic idea is to promote activation and prevent passive receiving employment benefit. There has been heavy criticism against the system, especially against phase 3. The main argument is that phase 3 does not deliver activities that provide the unemployed with skills that makes them more competitive at regular labour market.

### **Toward a flat rate social insurance system and an in- and out of work divide?**

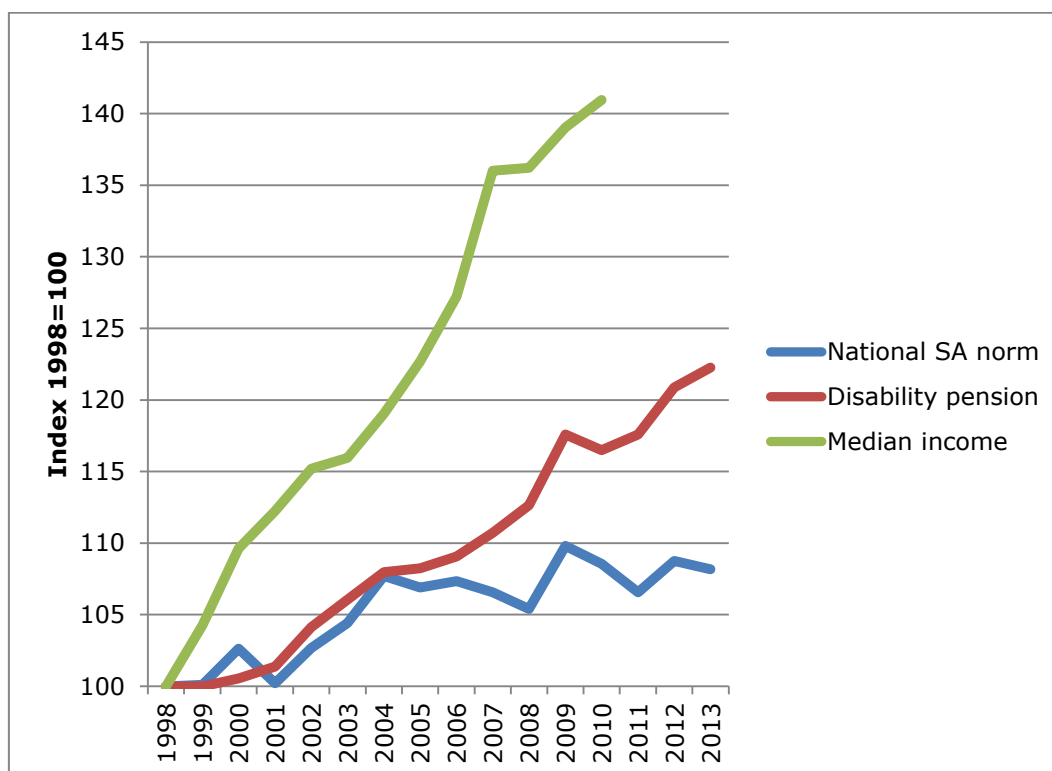
All in all the development reflect a consistent supply side activation policy that mainly focus on making work pay and limit access to alternative support sources. The policy implemented by the centre-right government that came into power in the autumn 2006 was in large formulated before the election. Thus, it is not the case that Sweden is implementing EU-policies; it is first and foremost a national policy agenda that is implemented. It is also important to understand that this agenda is driven by ideological believes, it is not a consequence of the economic crisis. However, the outcome in terms of unemployment and poverty is of course affected by the crisis.

Looking at the overall employment rate the policy seems fairly successful. The average employment rate in the age interval 20-64 is 80 per cent and in the wider age span 15-75 the employment rate is almost 66 per cent. However, the policy has not been able to significantly increase the employment rate. The Government usually argue that the economic turmoil is to blame for this fact. There is certainly some truth in that but it is also obvious that in a troublesome economic situation the Government seem unable to switch the policy towards a more demand side driven policy. For many countries in today's Europe such a policy is more or less impossible but for Sweden, because of strong public finances, it is possible to, for example increase investments in infrastructure, which in fact also is proposed in the latest budget proposal.

The maybe most serious flaw in the current policy is that the Government, even though the gradually are forced to rethink this position, seem to believe that everyone can, if given enough support and coaching, find an employment (or self-employment). Hence, the Government do not have an integrated policy about how to provide a decent living, including decent incomes, for people that are unable to support themselves via the labour market. For a long period of time we have seen a growing income gap between the median income and the incomes available for those who are furthest away from the labour market. **Figure 2** shows the real income development of the median equivalent disposable income from 1998 to 2010. As can be seen the development has been very good with a 41 per cent increase. The basic disability pension follows the price development but not the income development, which means that increase by 2010 was 16 per cent. Hence, there is an increasing gap between the average consumption capacity and life style and the life style people with disabilities, for example permanent physical or cognitive impairments, can afford. The Government adjusts the norm for social assistance on annual basis. In 2010 the increase in real prices for a single adult household were 9 per cent. Thus, gap between

recipients of social assistance and an average household has increased dramatically. It is important to underpin that this is a long-term development. It was not triggered by policies implemented by the current government but just as the previous social democratic government the current government do not address this problem.

**Figure 2. Income development 5<sup>th</sup> income decile, basic disability pension, and national norm for social assistance**



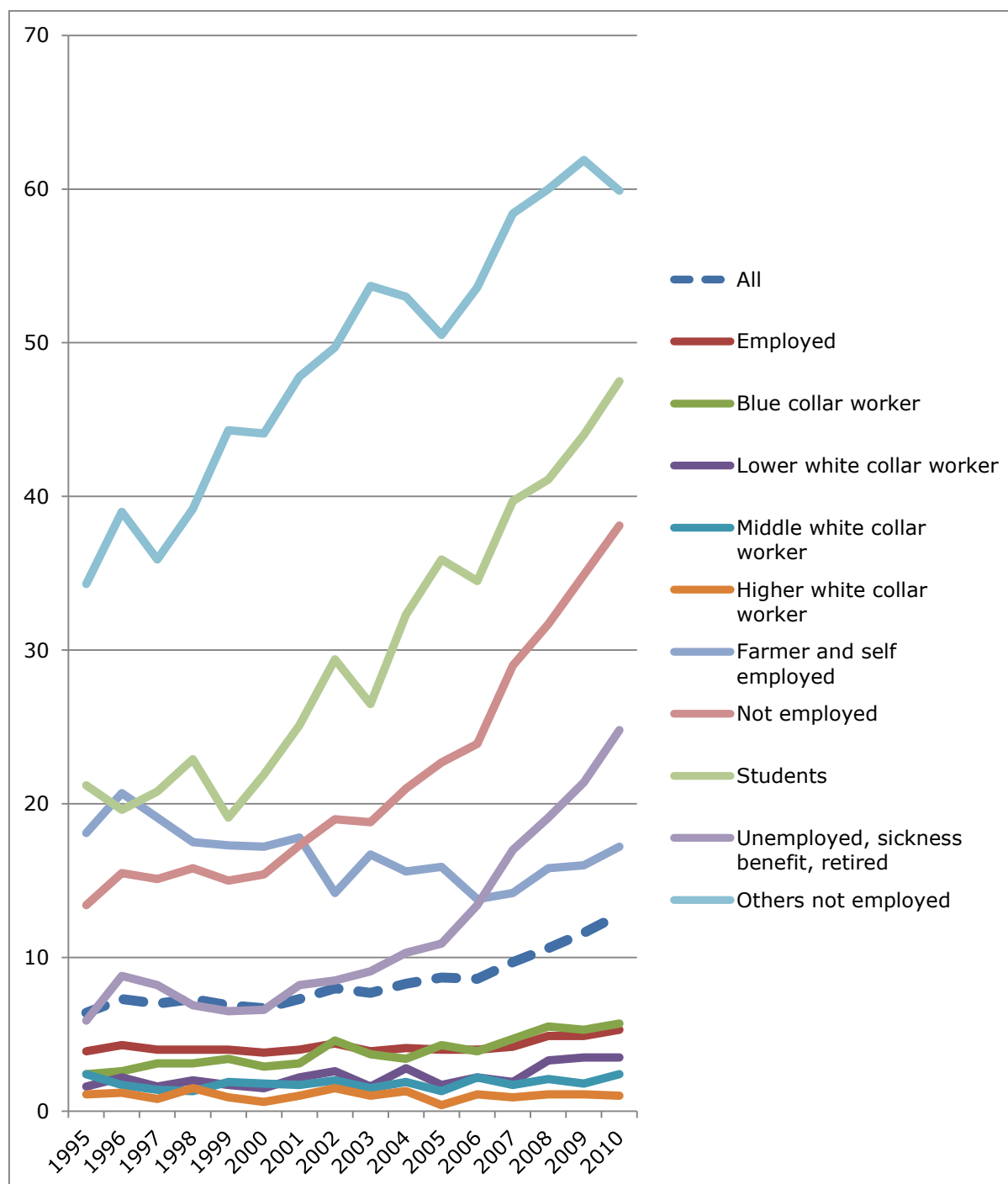
I certainly agree with the idea that people in general should be given the support they need to find a job a more or less permanent social assistance dependency is, for example, not an acceptable solution for anybody. But, in cases when employment is not possible there must be a plan B option. Today the Government do not have a viable plan B, which effectively means that they do not have plan about how to avoid poverty and social exclusion among those who lack realistic options to find employment. The lack of a plan B is in away a consequence of the Government's more or less explicit definition of social exclusion: social exclusion = not working. There is currently a parliamentary investigation commissioned that will look into ways to reform the social insurance system. It is currently unclear how and if this issue will be addressed by the parliamentary investigation.

The supply side policy has failed to press down the unemployment rate. Again one can argue that the economic turmoil can be blamed and again one could argue that a more balanced policy with stronger emphasis on demand side measures would have been appropriate.

As mentioned in several of the previous reports in-work poverty is fairly limited problem in Sweden and people that are classified as "working poor" are most often found in this category not because of low wages but because of unemployment or under-employment (Halleröd & Larsson 2008, Larsson & Halleröd 2011). The

increasing cleavage, illustrated by **Figure 3**, is between those fully engaged on the labour market and those with a more peripheral labour market position.

**Figure 3. Risk of poverty among 20-64 years old depending on labour market attachment 1995-2010.**



Source: Income Distribution Survey 2008.

Even though we can see a slight increase of in-risk-of-poverty among blue-collar worker the important factor behind the increasing in-risk-of-poverty rate is the growing divide between those who are healthy and fully integrated on the labour market and those who have a weak or no labour market attachment described in **Figure 3**. The dotted blue line in the figure shows the overall risk of poverty rate among 20-64 years old between 1995 and 2010. As can be seen there has been a general increase significant increase, in fact the poverty risk has doubled from 6.4 per cent to 12.8 per cent. If we look at the total population we can see a similar development but at a slightly higher rate. The important information from **Figure 3** is that among employed very little has happen; the in risk of poverty rate is consistently low. It is among those that in one way or another stands outside the labour market that we see an increased poverty risk. It is because people fully integrated on the labour market that have increased their incomes since the mid 1990s, those who for one reason or another are more or less excluded from the labour market have not taken part in this development. One reason to this development is that basically all income security systems have been kept more or less intact when it comes to benefits levels. The norm for social assistance has, for example and as shown above, only changed marginally since the mid 1980s. Most Swedes, at least those who have a job, are covered by income related social insurances programs (sickness benefit, unemployment insurance etc). If someone loses their job they will get 80% income replacement but only up to a certain maximum level. The last time this level was increased was in 2002. The result is that only 12 per cent of the workforce will, in case of unemployment receive 80 per cent of their previous income ([Sammarbetsorganisation 2011](#)). It is also the case that about one third of the labour force is not covered by the income related unemployment insurance because membership is individual, which I, and also the Government, think is highly problematic. The combination of eligibility criteria and low coverage leads to a situation where 61 per cent of the unemployed are not covered by the income related unemployment insurance ([sammarbetsorganisation 2012](#))

So, the poor have not been poorer in absolute terms but they are relatively worse off now than was the case some decades ago. The development means that Swedish welfare state model is gradually changing from being the prime example of a universalistic or comprehensive welfare state to a basic "Beveridge" type of welfare state ([Korpi and Palme 1998](#); [Korpi and Palme 2004](#)). The short-term consequence is that, as emphasised above, the income gap between the employed and the not employed increases, the cost for not working is getting increasingly higher. This is part of the policy; the so far unanswered question is when it is high enough? The more long-term effect is that we see a growth of private or branch organised social insurances that compensate for the collective social insurances. What we know from research is that such a development in the long run makes it harder to maintain decent income protection for the most marginalized groups in the society, something that has been coined the "welfare paradox" ([Korpi and Palme 1998](#)), which basically means that welfare states that are able to integrate the broad middle class into the income maintenance system are also the welfare state that are most able to protect the worst of from poverty and social exclusion. The Government has very little to say about this development and their conclusion is not to improve the benefit programs, they only emphasise that employment is the solution, overlooking the fact that it does not improve the situation for the unemployed and those who are furthest away from the labour market.

Sweden is compared to many EU-countries in a favourable situation and even though the economy is expected to slow down during 2012 there is no need for austerity measures. The best way of describing the situation is as a status quo. But even though the situation is, compared to most European countries, is favourable even status quo means a continuation of a trend towards increasing inequality and higher in

risk of poverty rates. It is important to emphasise that while the general income distribution is strongly affected by increasing capital gains, this is not in the same way the case when it comes to poverty estimates. The reason being that poverty is defined in relation to the median income, while capital gains mainly affect higher income deciles. Also, taking account for income from capital is important if when trying to understand why the income distribution is changing, less so when discussing poverty and social inclusion. It is certainly relevant if large part of the population benefits from a type of income the poor do not have access to. **Table 1** shows in risk of poverty rates among different households and among different age categories 1991, 1995 and between 1999 and 2010.

Table 1 gives information about poverty among adults and children in different household types. It might be seen as a kind of overkill to present such a long time series but pedagogic idea is to show that there is a genuine long-term trend towards increasing prevalence of risk of poverty. In the adult population the figure has almost doubled since 1991 and the figure for 2010 is 13.5 per cent. Among single adult household without children the figure has also doubled but from a higher initial level and today almost a quarter of all single adults without children are at risk of poverty. For the young the figure is close to a third. Also among single adult household with children is the at risk of poverty rate close to a third, but here the long-term increase has been more rapid and the figure has, compared with 1991, tripled.

Among married/cohabiting the trend is similar but the level is lower. Looking more specifically on children we can see that more than a third of all children living in single adult household are at risk of poverty, which is a dramatic increase compared to the 1990s. Also among children with married/cohabiting parents the risk of poverty has increased but from a lower level and with a lower speed. Hence the inequality between children has increased over time.

So, regardless of the crisis, recent EU-policy initiatives, and changes of government there is a long-term trend of increasing labour market inequalities and increasing income differences that are affecting immigrants and children.



**Table 1. At risk of poverty among adults and children in different household types 1991 - 2010**

Type of household	At risk of poverty (< 60 % of median)																	
	1991	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
<b>All 20- year of age</b>	<b>7.1</b>	<b>6.5</b>	<b>7.2</b>	<b>7.1</b>	<b>7.4</b>	<b>7.5</b>	<b>8.5</b>	<b>8.6</b>	<b>8.9</b>	<b>8.0</b>	<b>8.5</b>	<b>9.0</b>	<b>9.2</b>	<b>11.2</b>	<b>12.3</b>	<b>12.5</b>	<b>13.5</b>	
<b>Single adult household</b>	<b>13.5</b>	<b>10.4</b>	<b>10.8</b>	<b>11.0</b>	<b>12.5</b>	<b>12.0</b>	<b>15.1</b>	<b>15.8</b>	<b>15.3</b>	<b>14.0</b>	<b>14.7</b>	<b>15.4</b>	<b>15.8</b>	<b>20.2</b>	<b>21.7</b>	<b>22.1</b>	<b>23.7</b>	
20-29 year	14.8	19.0	20.9	19.3	21.6	18.7	22.1	21.9	26.5	21.8	25.6	30.5	29.7	30.0	30.7	34.5	34.4	
30-49 year	7.1	8.9	8.5	9.6	8.7	8.9	9.6	10.2	9.7	11.2	10.8	10.0	11.1	12.3	15.0	16.2	19.8	
50-64 year	4.5	4.5	5.1	4.7	7.7	7.2	7.4	9.4	7.2	8.5	7.0	8.6	8.4	11.4	14.2	14.1	16.5	
65-74 year	14.1	6.9	5.8	6.1	7.8	9.4	12.4	15.5	12.0	9.3	11.1	10.5	9.7	18.2	19.5	18.6	19.6	
75- year	26.1	9.8	10.6	12.5	13.9	14.6	22.6	22.9	21.1	17.7	18.1	17.1	19.0	29.7	30.0	25.7	27.6	
With children 0-19 year	11.1	12.3	16.0	16.1	13.0	11.1	15.8	15.4	16.5	17.5	20.0	19.3	21.0	24.6	29.5	27.0	30.1	
<b>Married/cohabiting without child(ren)</b>	<b>3.9</b>	<b>4.4</b>	<b>5.0</b>	<b>4.7</b>	<b>4.6</b>	<b>5.0</b>	<b>4.7</b>	<b>4.7</b>	<b>5.0</b>	<b>4.5</b>	<b>4.6</b>	<b>5.1</b>	<b>5.0</b>	<b>5.9</b>	<b>6.3</b>	<b>6.3</b>	<b>6.8</b>	
20-29 year	1.6	3.8	3.9	3.7	4.9	2.3	3.0	3.9	4.6	3.5	6.2	7.6	5.1	5.7	8.4	9.3	11.7	
30-49 year	1.8	3.4	3.5	2.5	2.2	3.1	3.8	1.6	2.4	1.9	3.4	2.9	2.3	3.1	5.2	4.9	6.7	
50-64 year	2.6	2.8	3.3	2.2	2.3	2.7	2.6	3.1	2.8	3.0	1.9	1.7	2.2	1.5	2.8	2.7	3.3	
65-74 year	3.2	1.9	1.7	1.7	1.6	2.4	3.3	3.5	2.4	2.8	2.1	1.9	2.9	3.4	2.9	2.7	3.2	
75- year	8.6	2.1	1.7	1.7	3.0	4.3	4.6	5.0	4.7	2.9	3.0	3.8	3.2	7.9	6.0	3.8	5.1	
<b>Married/cohabiting with child(ren)</b>	<b>5.1</b>	<b>6.4</b>	<b>7.6</b>	<b>7.9</b>	<b>7.5</b>	<b>7.7</b>	<b>6.7</b>	<b>6.6</b>	<b>7.4</b>	<b>6.5</b>	<b>7.2</b>	<b>7.9</b>	<b>7.6</b>	<b>8.7</b>	<b>8.9</b>	<b>9.7</b>	<b>9.6</b>	
1 child	3.1	5.0	4.6	5.1	5.8	5.7	5.0	4.0	5.4	5.0	6.6	7.2	6.3	7.3	7.6	7.9	9.7	
2 children	4.3	5.4	7.0	6.5	6.1	6.1	6.1	5.7	6.4	5.5	5.4	5.6	5.9	6.8	7.5	8.7	6.4	
3+ children	10.2	11.4	14.0	15.7	13.3	14.3	11.3	13.4	12.9	11.8	12.2	14.5	14.7	16.5	15.0	16.2	18.1	
<b>All 0-19 year</b>	<b>8.4</b>	<b>9.9</b>	<b>12.5</b>	<b>12.7</b>	<b>11.3</b>	<b>11.3</b>	<b>11.7</b>	<b>11.4</b>	<b>12.5</b>	<b>11.7</b>	<b>12.0</b>	<b>13.5</b>	<b>13.4</b>	<b>15.2</b>	<b>16.2</b>	<b>16.4</b>	<b>17.6</b>	
Children in single adult households	12.3	14.3	18.7	20.1	14.1	13.1	18.9	17.5	20.6	21.7	23.2	24.1	24.6	28.6	34.3	30.4	35.7	
Children in mar/cohb households	6.6	7.7	9.8	10.0	9.3	9.5	8.0	8.5	9.0	7.9	8.2	9.3	9.1	10.6	10.4	11.2	11.0	

Source: Income Distribution Survey



## Comprehensive policy design?

The changes imposed, especially since 2007, can from one perspective be seen as comprehensive. They are designed as supply side activation measures. The policy increases the economic cleavages between work and benefits. It restricts eligibility and imposes time limits within the benefit system. It is not, as discussed above, a comprehensive policy if we look at it from an adequate income support perspective. The quality of services provided within the activation policies, or labour market policies, are also questioned. Especially so the so-called phase 3 activity.

## Integrated implementation

The Government definitely want to achieve a more integrated approach. In a first step sickness benefits and early retirement has been integrated, which means that early retirement, as the new name health and activation benefit indicates, is seen as health problem, not a retirement issue. Transferring people from sickness benefit to labour market agencies also mean a more integrated activation policy. However, this is not unproblematic. Labour market agencies are for example not used to work with people that not only are in need of a job but also in need of different forms of health rehabilitation.

## Vertical policy coordination

The Swedish welfare state is administered at three different levels with different responsibilities. The state is at the central level responsible for social insurances (i.e., public pensions, sickness insurance, unemployment insurances<sup>2</sup>, etc). The state has also the main responsibility for labour market policy. There are two types of local authorities; there is a semi local level consisting of 21 counties (landsting<sup>3</sup>) responsible for health care and a local level with 290 municipalities (kommuner) with an extensive responsibility for the inhabitants in general and specific vulnerable groups, such as children, elderly, disabled, in particular. The extent to which services is accessible, the quality is of major importance for a large share of the population, not the least sections of the population that traditionally are most exposed to poverty and social exclusion. The municipalities are also responsible for social assistance, which is a means-tested last resort benefit aimed at those who cannot support themselves in any other way. It is the only program of this type within the Swedish welfare state and it is the only income support system that is not organized by the central government. Thus, social assistance constitutes the 'floor' of the Swedish welfare state, with the explicit purpose of securing a minimum economic standard for those who cannot support themselves in any other way. It follows then that the norm for social assistance can be seen as a de facto poverty line.

The basic idea is, however, that the general income maintenance system (sickness insurance, unemployment insurance, parental leave benefit, pensions etc) should guarantee everyone an acceptable income without being dependent of social assistance. Social assistance should in principle only be a temporary last resort system, a selective residual in a universalistic system. From this perspective, changes in social assistance utilisation can be seen as a major indicator of how well the universalistic model is functioning.

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<sup>2</sup> Unemployment insurances are formally administered by the unions but in praxis by the state via legislation and financing.

<sup>3</sup> To be correct; there are 18 landsting, two regions (Skåne and Västra Götaland) and the island of Gotland.

The municipality has the ultimate responsibility for every individual that are staying within the municipality's border. Hence, when every other resource has been exhausted, the municipality has to step in. The crux is of course, in relation to social assistance, to determine when every other resource is exhausted. The individual always have a responsibility to support him or herself, which basically means that an able bodied person only can get social assistance if he or she is working but still cannot make ends meet or, if unemployed, is actively looking for a job. Looking at the period since 1982 and the introduction of the Social Service Act there has definitely been a stricter interpretation of the individual's responsibility ([Johansson 2001](#)). The modification of the Social Service Act in 1998 meant that stricter rules regarding recipients' labour market activities were implemented. Young unemployed recipients were obliged to participate in training or active labour market program in order to be eligible to social assistance. If deemed as necessary, the same rules could be implemented also in relation to older recipients. Also for older recipients the demand to be actively looking for work or participating in labour market has also been strengthened. And information I have received from representatives for the county administrative board (see below) indicates that municipalities today are very strict when demanding active labour market participation.

There are no special arrangements aimed to decrease marginal effects when moving from unemployment to employment. However, refusing to take on a job will mean that social assistance will be withdrawn. Measures to decrease this marginal effect are currently discussed.

It is also the case that people first are expected to realize savings and assets before they are eligible to receive social assistance. It is not the case that, for example, house owners immediately are asked to sell their house in order realize assets, but they will be asked to do so if they receive support for several months. Recipients are not asked to realize assets if they need them in order to support themselves. If someone needs a car to get to work, they will not be asked to sell the car etc. This is of course something that makes it very hard for middle aged ordinary people that find themselves in economic difficulties to be eligible for social assistance and people with realizable assets often find the terms for receiving social assistance very hard ([Dahlberg et al. 2009](#)).

There are at least two coordination problems. First, when a less generous state-administered system easily spills over to the municipality level. When people pass timelines in, for example, the unemployment insurance system or if they fail to qualify from the beginning only social assistance remains. However, social assistance is increasing but the increase is so far fairly marginal. Second, the municipalities have responsibility for young, under 20, unemployed, which means that a along side the highly coordinated national labour market policy there now exists a very diversified municipality driven unemployment policies.

## 2. Description and assessment of the impact and cost effectiveness of measures introduced or planned under the 3 strands

Most of the relevant measures are described above. Currently no one knows what is in the pipeline and even those who traditionally support the current government are criticizing the Government for the lack of ideas and reforms.

### Adequate income support

As described above, very few measures have been taken since 2008 in order to secure an adequate income support. On the contrary, because of the positive economic development and lack of adjustments of the income support system, the risk of poverty has increased during this period. Increasing the economic difference between those who are in-work and those who are out-of-work is also an intended part of the activation policy, which raises the bigger issue about how to construct a social security system that at the same time "makes work pay" and provides a decent economic standard to those who find it most difficult to find an employment.

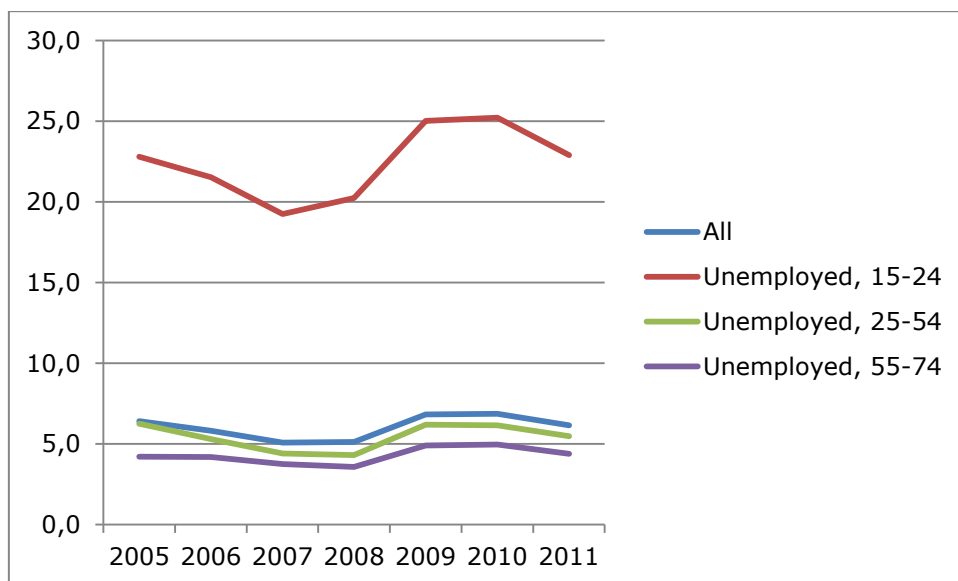
There has been a minor increase of the norm for social assistance and housing support (bostadsbidrag) for families with children. However, none of these measures counterbalances the long relative decline of the income support system.

So, resources are adequate in principle, the problem is regulations. Yes, most benefits are tied to activation and the incentive to work is, seen over time, not only preserved, they are strengthened.

### Inclusive labour markets

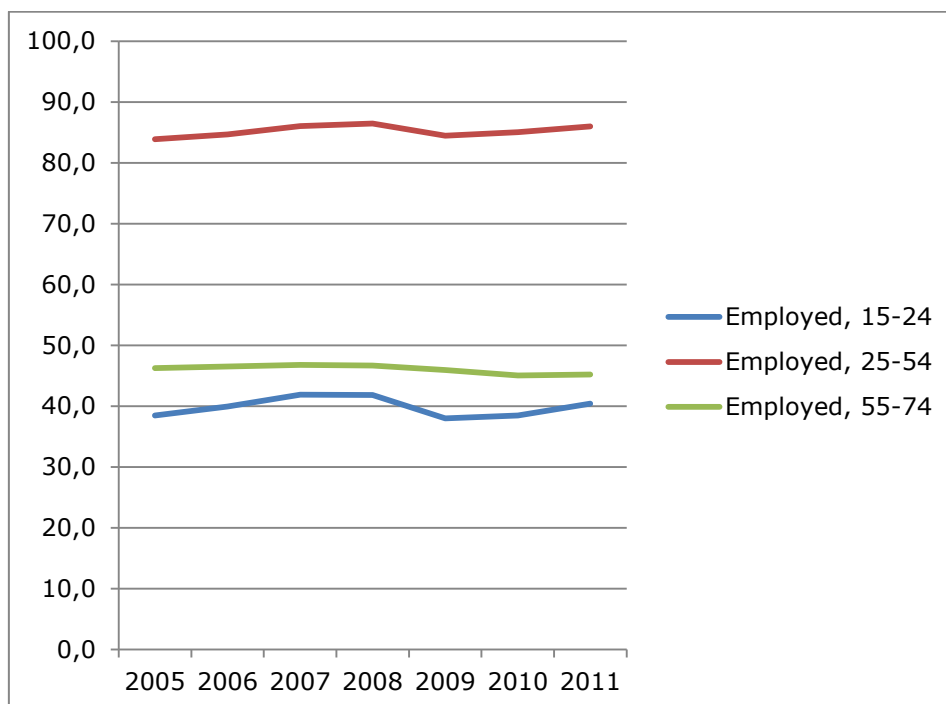
Measures taken are described above. The question is whether they are successful or not, there are marked differences between age groups and between native-born Swedes and immigrated Swedes. **Figure 4** shows the employment rate in the corresponding age categories. The low employment rate among the young reflects that most of them are in education. It is also the case that a fairly large share of the young unemployed are full-time students and analysis of the EU-SILC indicates that the group that mixes studies, employment and unemployment is relatively large in the Nordic countries (Halleröd and Ekbrand 2012). But, even though the youth unemployment figure is exaggerated it is clear that unemployment is relatively high among the young.

Figure 4. Unemployment rates in different age categories, 2005-2011.



Source. LFS

Figure 5. Employment rate in different age categories, 2005-2011

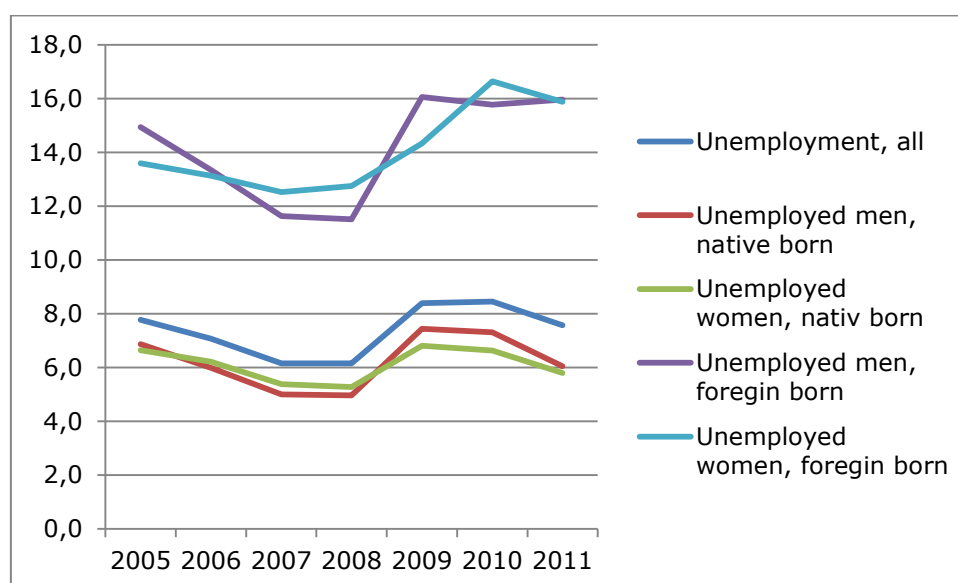


Source: LFS

The other, and potentially more serious, labour market cleavages go between native-born Swedes and immigrants. The unemployment rate, **Figure 6**, is about twice as high among immigrants as among native-born Swedes. It is also clear that immigrants are more affected by an increasing unemployment, which indicates that they have a less secure employment situation. Source: LFS

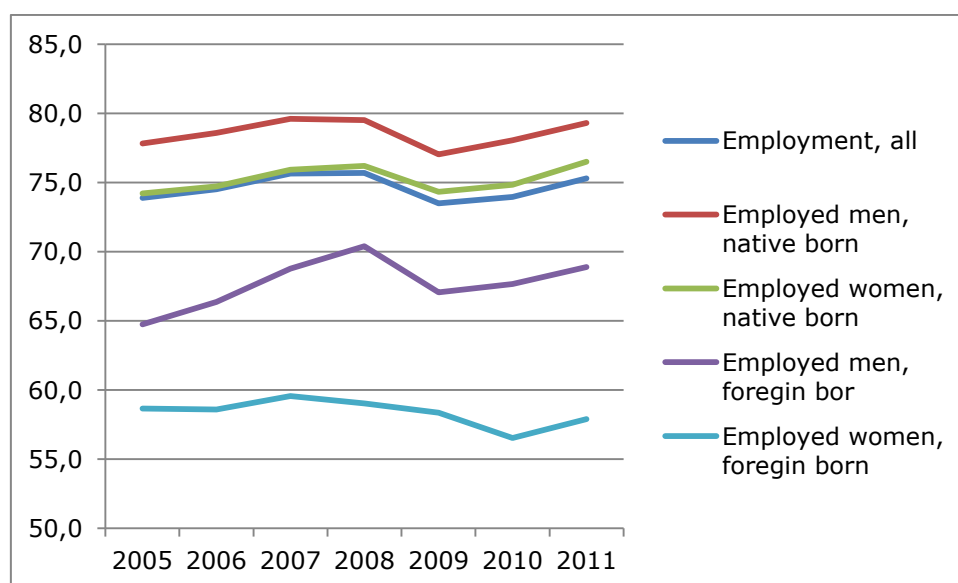
**Figure 7** shows that there also is a marked difference in employment rate between native born and immigrants. The employment rate is especially low among immigrant women.

**Figure 6. Unemployment rate among native born Swedes and immigrants divided on men and women, 2005-2011.**



Source: LFS

**Figure 7. Employment rate among native-born Swedes and immigrants divided on men and women, 2005-2011.**

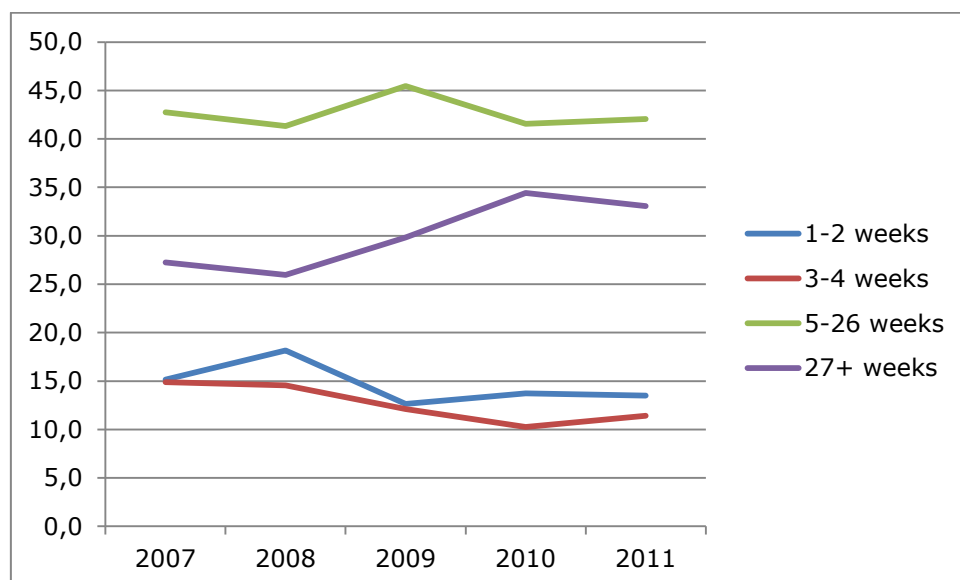


Source: LFS

The employment/unemployment problems immigrants are facing are clearly brought to the fore both in policy documents and in the public debate.

**Figure 8** shows the number of weeks that the unemployed have been unemployed during the period 2007 – 2011. As can be seen there is a decrease of short unemployment spells while the long unemployment spells are increasing the most.

**Figure 8. Unemployment divided by weeks in unemployment, 2007-2011.**



A, at least partly, related problem is housing segregation and the close correlation between segregation on the one hand and unemployment, poverty, and child poverty on the other hand.

As can be seen from **Table 1** the in risk of poverty rate is increasing among families with children. Children in risk of poverty are increasingly found among single parent and among immigrants. Especially poor immigrants are highly concentrated in highly segregated sub-urban areas around Gothenburg, Malmö and Stockholm. It is clear that we need break this development for a number of reasons, not least intra-generational transmission of poverty (Save the Children 2012).

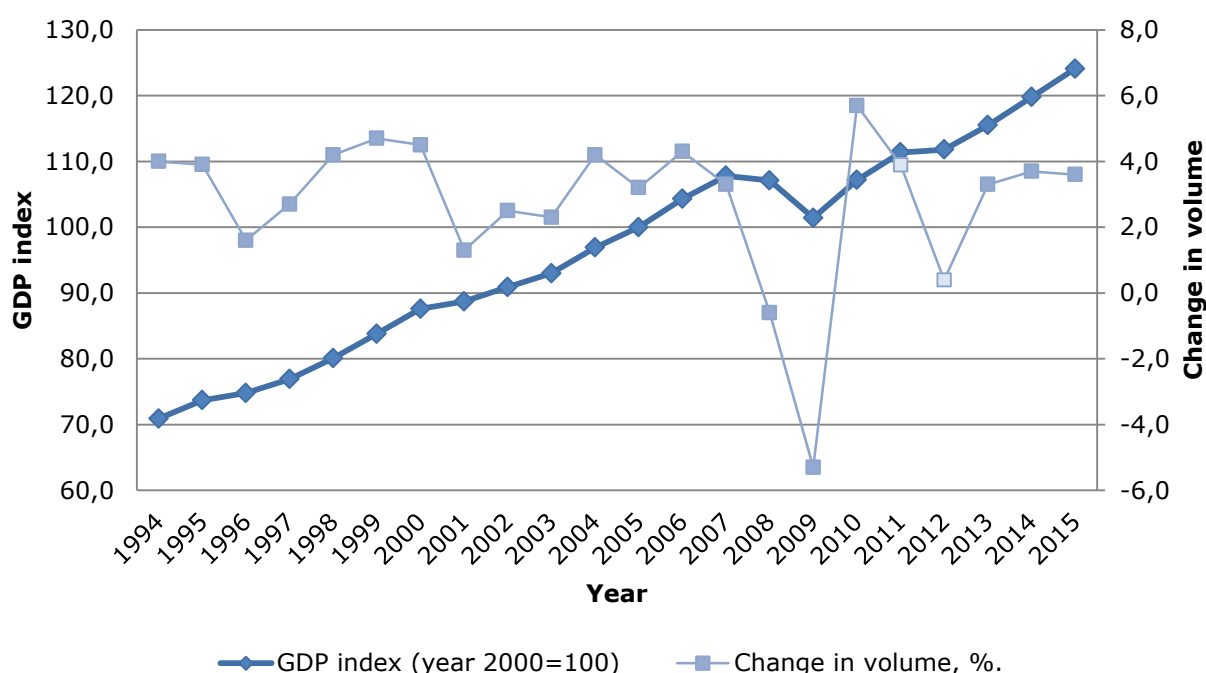
### Access to quality services

Making a comprehensive assessment of all kind of services provided is not really feasible. One very important aspect, not mentioned above, is access to childcare. Swedish parents have the right to highly subsidized childcare starting from year 1 and continuing to year 12 (from 6 years of age after school care). Most services, including schools, are provided by the municipalities but regulated by the state. As in all comparable countries, provision of services are decreases income inequalities. The reduction is mainly an effect of re-distribute from the prime age population to older people and families with children.

### 3. Financial resources

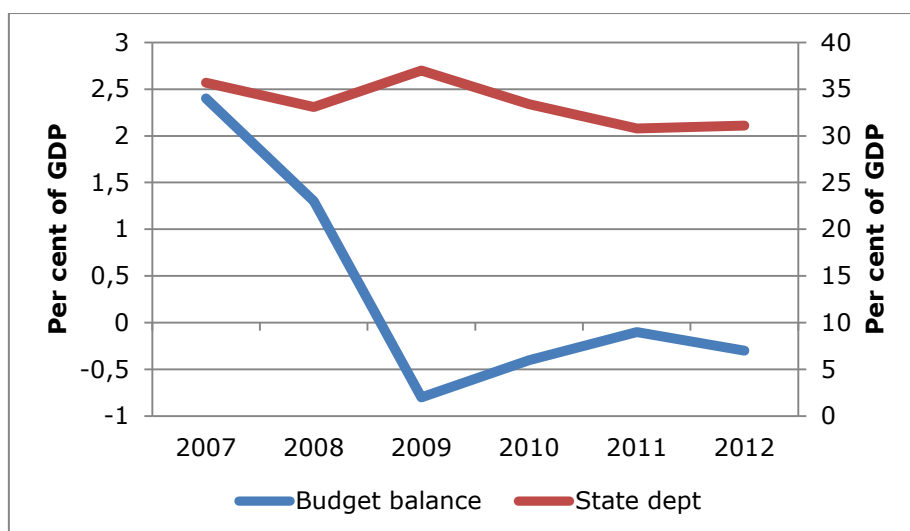
Despite the financial crisis and negative economic development in many European countries the Swedish economy continues to grow. The estimated growth for 2012 is only 0.4 per cent but the actual figure for the first quarter of the year was 1.4 per cent. It is of course hard to make any predictions in the current situation but so far Sweden has been able to avoid the deep recession that many EU countries currently are experience.

**Figure 9. GDP-index (year 2000=100) and change in GDP 1994 – 2015. Figures for 2012 – 2015 are based on the Government's estimation.**



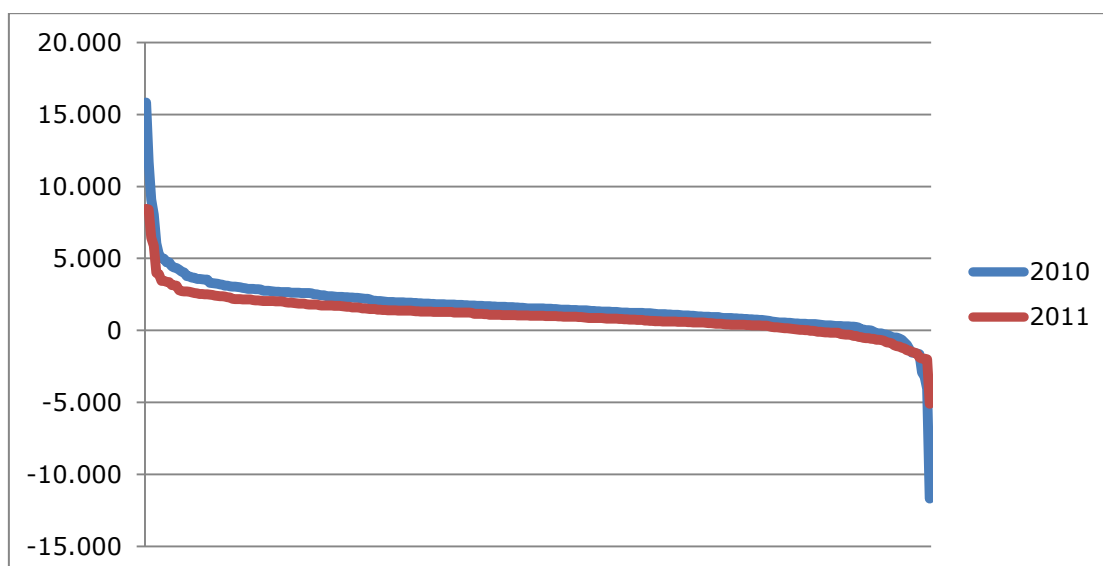
The favourable economic development is one reason to why the deficit has been kept on a very moderate level. As can be seen from the figure below the budget deficit, as percentage of GDP, during the financial crises has been very small and has never exceeded 1 per cent. Also the state debt is small, just above 30 per cent, and decreasing. Hence, Sweden is not facing a cost crisis and there is no need for any immediate financial consolidation measures, there are on the contrary room for a financial expansion. For the past 25 years, Sweden has also had a solid trade surplus and our surplus, as percentage of GDP, is for example bigger than the German surplus. So, at the moment the Swedish economy looks fairly strong. However, much of the social services are financed directly by the central government.

**Figure 10. Budget balance and state debt as percentage of GDP 2007 – 2012.**  
Figures for 2012 are based on the Government’s estimation.



It is the local authorities, municipalities and county councils that are directly responsible for carrying out and also finance most social services including education and health care. It is hard to get a proper overview of the financial situation in the municipalities. It is also the case that municipalities are obliged to have a balanced budget. However, the figure below shows the budget balance, expressed as SEK per inhabitant, for each municipality. What we can see is that most municipalities have a budget surplus but also that the surpluses are generally smaller in 2011 compared to 2010. It is only a few municipalities that are running a budget deficit but the number has increased between 2010 and 2011. Since municipalities are not allowed to have a budget deficit a deficit will be followed by either cost deductions or tax increase.

**Figure 11. Budget balance among municipalities 2010 and 2011.**  
SEK per inhabitant





As it seems there is no general cost crisis among municipalities but the central government need to be observant and if necessary be prepared to give additional economic support to the local level in order to prevent deterioration of service provisions.

## 4. Monitoring and evaluation

Mainly because of access to population based registers that uses a uniform personal-number identification system evaluation are an on-going and fairly efficient activity. It has not improved in any significant way but it has maintained its high standard. Surveys such as the Labour Force Survey, EU-SILC, Income Distribution Survey and Survey of Living Conditions support the register-based system. The National Reform Programmes or the National Social Reports has to my knowledge had zero impact on the Swedish monitoring and evaluation system. Evaluation is an on-going process.

## 5. Recommendations

- The Government is repeating that it will continue to protect and develop the Swedish model. If this is a serious commitment, the government need to:
  - Restore the income maintenance principle increasing the income ceilings in the unemployment insurance and, second, the sickness benefit.
  - The government should carry through the plan to introduce a unitary unemployment insurance administered by the state. This new unemployment insurance needs to be more inclusive than currently is the case.
- The Government has to face the fact that 100 per cent employment rate is not possible and find a strategy to safeguard income security among those who are furthest away from the labour market.
  - Increase the norm for social assistance (especially for families with children) and minimum benefits within the income maintenance system (unemployment, sickness benefit, "early retirement")
  - The difficult question, which I do not have an answer to, is to do this and still maintain work incentives. It might be impossible, but if it is we need to prioritize a decent minimum standard for everyone.
- Unemployment, especially youth unemployment and unemployment among immigrants must continue to be a high priority. However the Government also need to develop a strategy how to prevent the increase in long-term unemployment.
  - Active labour market programs that focus on labour market tailored education.

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## Summary tables

**Table 1**

To what extent has an integrated comprehensive active inclusion strategy been developed in your Member State?													
	Comprehensive policy design			Integrated implementation			Vertical policy coordination			Active participation of relevant actors			
	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No	
For those who can work	X			X				X			X		
For those who cannot work			X			X		X				X	

**Table 2**

To what extent have active inclusion policies/measures been strengthened, stayed much the same or weakened since 2008 in your Member State?									
	Adequate income support			Inclusive labour markets			Access to quality services		
	Strengthened	The same	Weakened	Strengthened	The same	Weakened	Strengthened	The same	Weakened
For those who can work			X		X			X	
For those who cannot work			X		X			X	

