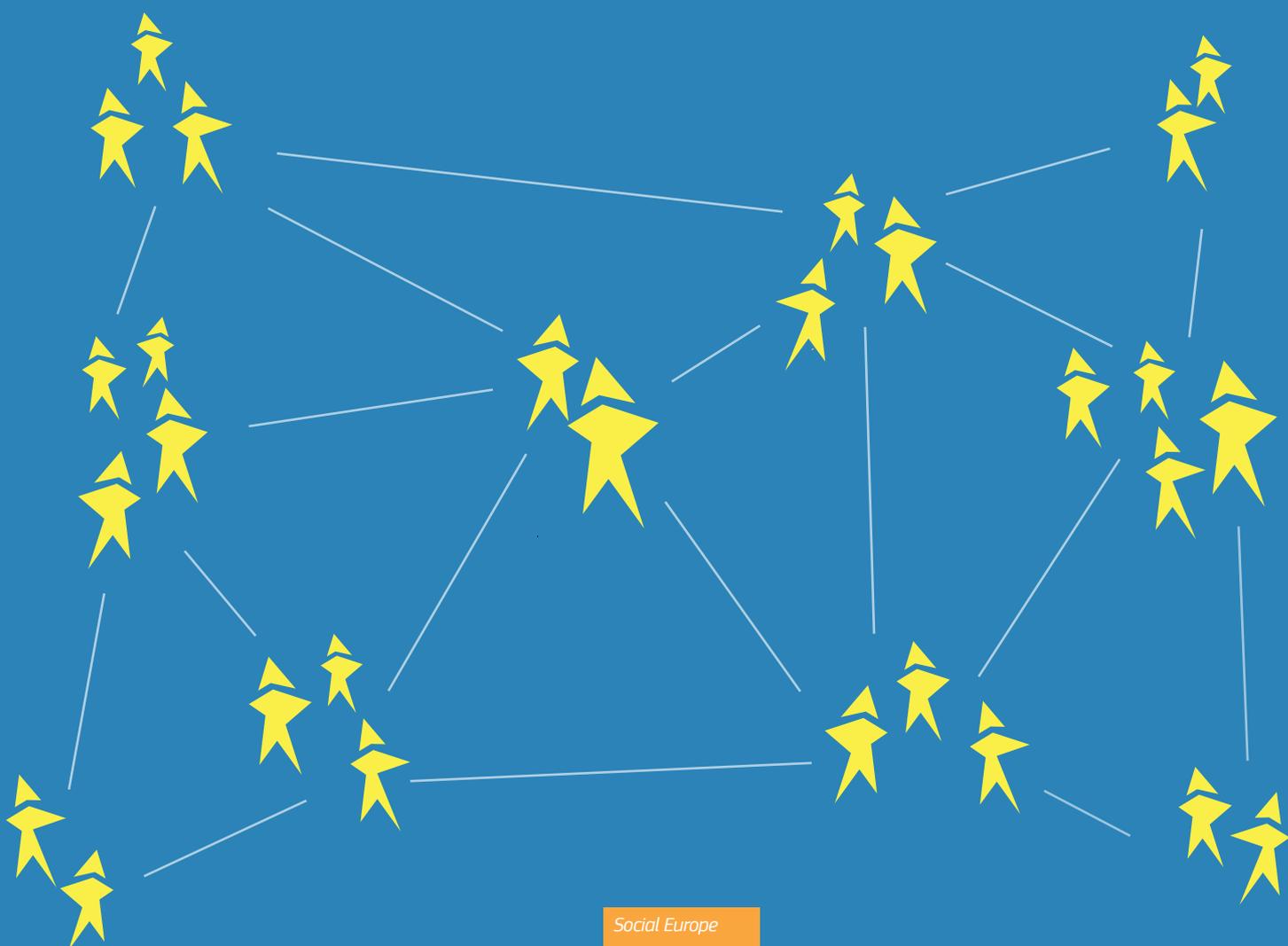




EUROPEAN SOCIAL POLICY NETWORK (ESPN)

In-work poverty in Sweden

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European Social Policy Network (ESPN)

**ESPN Thematic Report on
In-work poverty**

Sweden

2019

Kenneth Nelson and Johan Fritzell

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Summary

In-work poverty¹ is lower in Sweden than in many other EU countries. In 2017, around 6.9 per cent of the employed population lived in a household with incomes below the EU at-risk-of-poverty threshold. The corresponding rate in the EU28 was 9.6 per cent. The figures for in-work poverty in Sweden were generally stable over the period examined (2012-2017), with a net fall of 0.4 percentage points.

The close connection between in-work poverty and precarious employment becomes evident when the figures for poverty among people who have been employed for at least six months during the year are disaggregated by major risk groups. Employed people living in low work intensity households have a very high poverty risk. In 2017, more than one third in this category had an income below the at-risk-of-poverty threshold. Other groups with a high risk of in-work poverty were the self-employed, employees with temporary contracts, migrants from countries outside the EU28, single persons, and single parents. In these groups the rate was around 20 per cent. The prevalence of in-work poverty declines with age, and it is higher among people with lower educational attainment. In-work poverty is slightly more common among men than women.

There are no policies in place that address in-work poverty in the narrow sense, as something being caused by inadequate wages or income taxation. As such, it is difficult to identify Swedish policies that have a direct impact on in-work poverty. There is no legislated minimum wage in Sweden. Instead, minimum wages in Sweden are set in negotiations between the social partners, without political interference. Around 90 per cent of the Swedish workforce is covered by collective agreements that include regulations on minimum wage floors. According to some calculations, negotiated minimum wages correspond to between 60 and 80 per cent of average wages, which is higher than the legislated minimum wages in many other EU countries.

During the past three years, the government has implemented a few reforms to strengthen the position of marginalised groups in the Swedish labour market. One example is the establishment of the Delegation for Young People in 2014. The Delegation offers state grants to municipalities in exchange for local initiatives to reduce youth unemployment. In 2017, the Delegation received an expanded mandate to promote collaboration between stakeholders, with the aim of integrating new migrants into the Swedish labour market. In 2018, the Swedish government made an agreement with the social partners to introduce an establishment programme (*etableringsjobb*). Jobs in this programme are for two years full time, and the income received by participants is set at levels corresponding to the negotiated minimum wage. Other pressing reforms are needed, such as a strengthened unemployment benefit that is more supportive towards the needs of the self-employed and people in atypical forms of employment.

In-work poverty is a complex concept that can be defined and measured in various ways. Most people probably understand it as relating to full-time workers who cannot make ends meet due to their wage being too low, or taxes too high. However, this is not the definition used by the EU, which may include extended periods of joblessness. The EU definition of in-work poverty certainly creates opportunities for misunderstandings in public debates, and it also makes it troublesome to identify effective policy impacts. It would be preferable to complement EU indicators on in-work poverty with assessments of the extent to which full-time/full-year employees find themselves below commonly agreed poverty thresholds. The main tool for poverty alleviation in Sweden is generally considered to be employment, not increases in minimum wages. In-work poverty is not really part of the political debate, and with a few notable exceptions the issue does not feature in public discussions, or in academic research.

¹ For ease of reading, we will refer to the notion 'at risk of in-work poverty', and to the indicator that measures it, using the generic term of 'in-work poverty' (IWP).

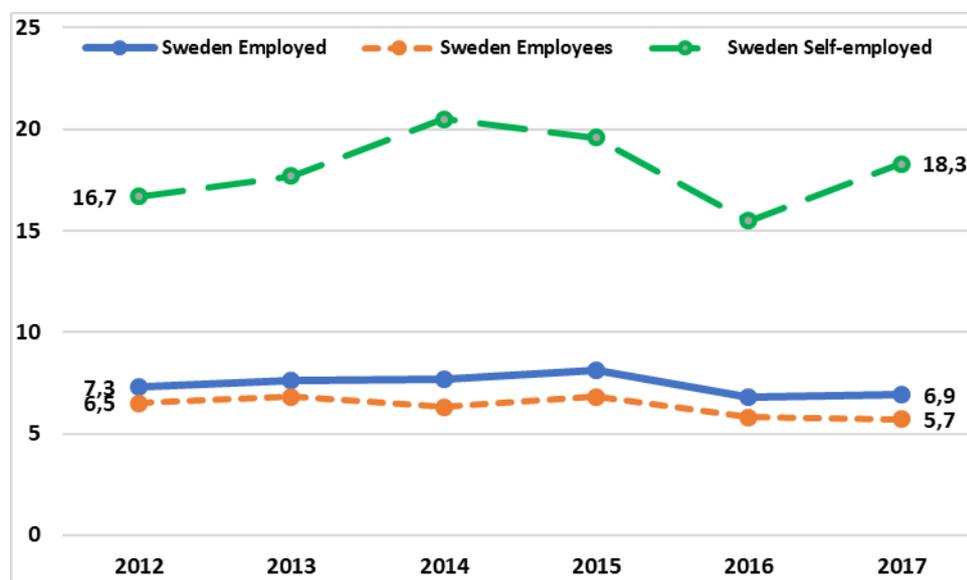
1 Analysis of the country's population at risk of in-work poverty

The EU has agreed on a definition of in-work poverty that will be used throughout this report. According to this definition, in-work poverty relates to employed people with an income below the EU at-risk-of-poverty threshold, corresponding to 60 per cent of the median disposable household income in the total population. People working at least six months during the reference year are considered employed. In-work poverty is calculated for the economically active population and includes those aged 18-64.

The prevalence of in-work poverty is about half that of poverty overall for the total population, both in Sweden and the EU28 (data not shown, source: EU-SILC). At-risk-of-poverty rates also differ among those who are in employment, with clear differences between employees and self-employed people – the latter group having more than double the at-risk-of-poverty rate.

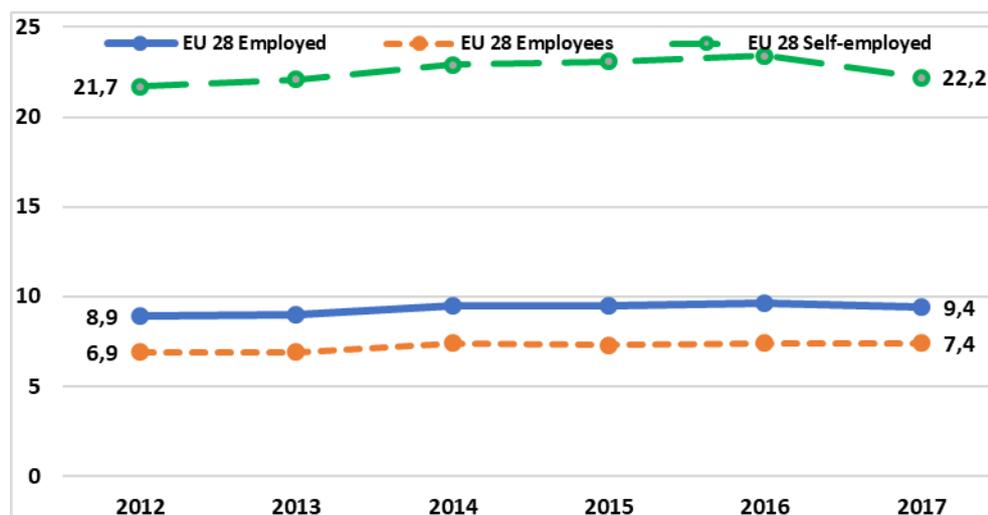
Figures 1A and 1B show changes in in-work at-risk-of-poverty rates during 2012-2017 for the whole population in employment, and for employees and the self-employed. Figure 1A shows the rates for Sweden and Figure 1B shows the EU28 average. The in-work poverty rate was lower in Sweden than in the EU28 throughout the period, and the difference grew somewhat in the last two years of the period. In 2017, 6.9 per cent of the Swedish working population were income-poor, compared with 9.4 per cent in the EU28. In Sweden in 2016, there was a slight dip in in-work poverty of 1.3 percentage points, which was not matched by a similar decline in the EU28. However, over the whole period in-work poverty in Sweden declined by only 0.4 percentage points. The rate of in-work poverty over the period was therefore generally stable. Focusing on changes in in-work poverty among the self-employed, we find a slight increase over the 2012-2017 period in Sweden; but the numbers were still below the EU28 average.

Figure 1A. In-work at-risk-of-poverty rates for the total population in employment, employees and self-employed: Sweden, 2012-2017 (%)



Source: Eurostat, *ilc_iw01*.

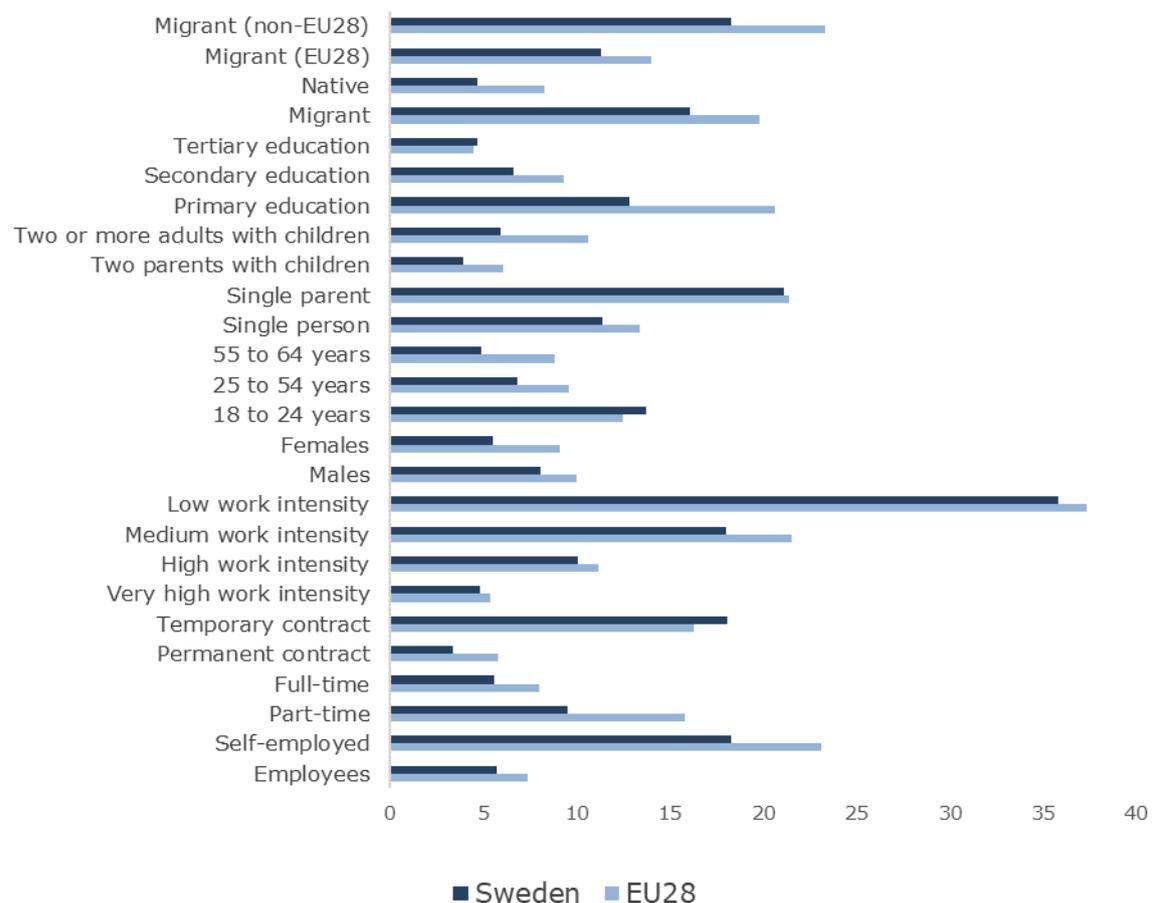
Figure 1B. In-work at-risk-of-poverty rates for the total population in employment, employees and self-employed: EU 28 average, 2012-2017 (%)



Source: Eurostat, *ilc_iw01*.

The risks of in-work poverty are not equally distributed. *Figure 2* shows in-work poverty by major risk groups, comparing Sweden with the EU28 average. The data refer to 2017. For each risk group, in-work poverty was lower in Sweden than the EU28 average. As in other EU countries, in-work poverty in Sweden is very much linked to the work intensity of the household. Slightly more than 1 in 3 persons who lived in a household where the members of working age worked for 20-45 per cent of their total potential during the previous 12 months (low work intensity) were income-poor. In-work poverty dropped substantially once work intensity increased. For people in households with medium work intensity (adult members working 45-55 per cent of their total potential), the risk of in-work poverty was cut by half. As might generally be expected, in-work poverty went down even further among people living in households with high work intensity.

Figure 2. In-work poverty rates by major risk groups, Sweden and EU28, 2017 (%)



Source: EU-SILC.

In-work poverty is more prevalent among the self-employed than among employees. However, it should be noted that the consequences may differ between these two groups. Studies based on more direct measurements using consumption standards in Sweden indicate that it is actually difficult to establish any clear differences between self-employed and blue-collar workers (Halleröd, 1999). In terms of material and social deprivation, EU-SILC data also show small differences between employees (1.4 per cent) and the self-employed (0.4 per cent) in 2017. The proportion of the workforce who are self-employed has been fairly stable in Sweden in recent years, averaging around 10 per cent (Nelson et al., 2017).

A few notes on the relative income position of employees are also relevant. The data presented here show that around 1 out of 20 employees are income-poor. At first glance, this may seem like quite a high figure that raises concern about the wage structure in Sweden. However, it is important to remember that this category of employees includes people who have had spells of up to six months of unemployment or non-employment during the year.

In-work poverty was more common in 2017 among those with temporary work contracts (18.1 per cent) than among employees with permanent contracts (3.4 per cent). Part-time employees were more likely to be income-poor (9.5 per cent) than people working full time (5.6 per cent). It should be mentioned that the number of temporary work contracts in Sweden has increased in the most recent decade, mainly as a consequence of a growing number of people of working age. Yet, as a percentage of the Swedish workforce, temporary employment has been rather stable. In 2015, the share of

temporary employment was 17.2 per cent. About 9 per cent of all employed men in Sweden worked part time (less than 35 hours) in 2015. The corresponding percentage among women was 23 per cent (Nelson et al., 2017). Among both women and men, around one-third reported that they worked part time because they could not find suitable full-time work (Statistics Sweden, 2016).

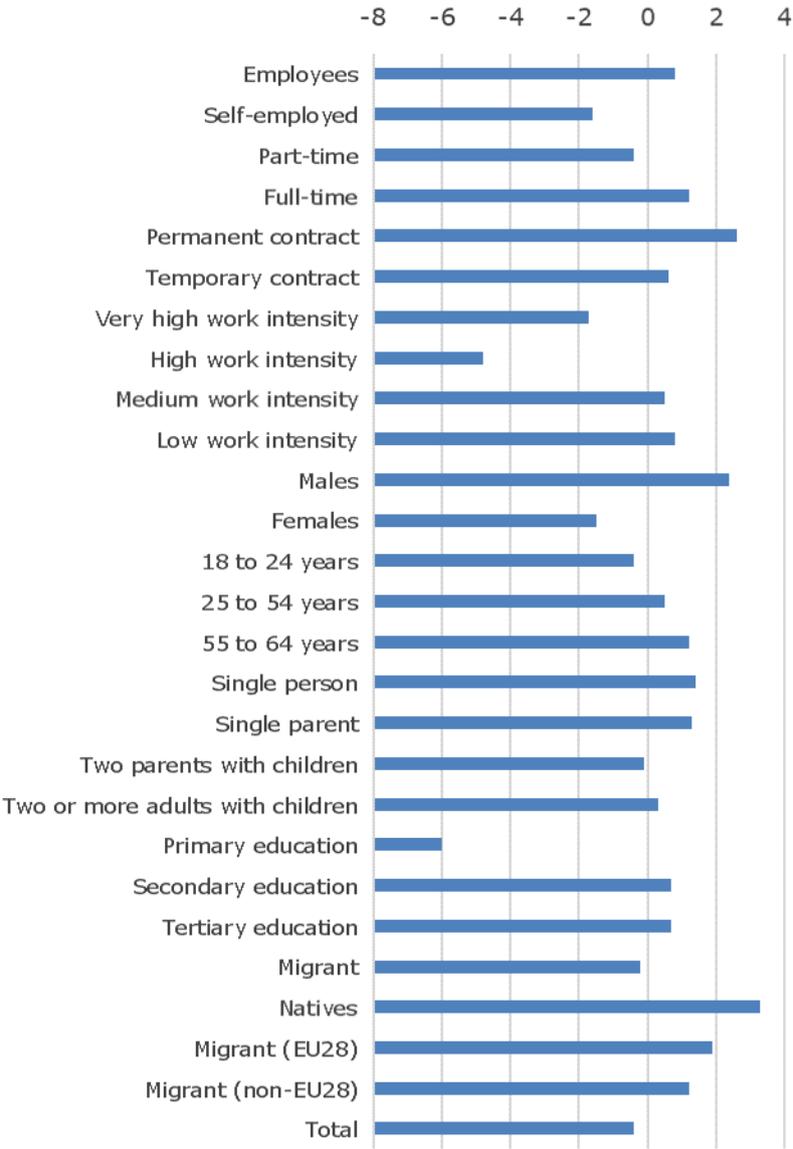
In-work poverty was also more common in 2017 among men (8.1 per cent) than among women (5.5 per cent), and it was more prevalent in younger age groups. Single people and single parents in work were more likely to be income-poor than employed couples (with or without children), and in-work poverty was lower among those with higher educational attainment. Employed migrants were more often income-poor than native-born people, and even more so if they were born outside the EU28.

The strong relationship between work intensity and in-work poverty is not surprising given the EU definition of in-work poverty above. According to this definition, in-work poverty may have less to do with developments in pay structures than with the total number of hours worked and what happens to household incomes in periods of joblessness. A substantial number of those who are counted as poor in the analysis above are probably people who for parts of the year have been temporarily unemployed, or have not been able to secure a full-time job. Some may even be categorised as income-poor because their spouses were unemployed, or otherwise out of the labour force. Some of those in the oldest age category may be defined as being in in-work poverty because their spouse has retired early, and so on. Thus, in-work poverty as measured by the EU, and in this report, may in many cases have nothing to do with the wage or salary people receive once in employment.

Figure 3 shows changes (in percentage points) in in-work poverty between 2012 and 2017 by major risk groups. The slight decline in in-work poverty over this period described above (see *Figure 1*) seems to be explained primarily by developments among those with primary education, self-employed people, and households with high or very high work intensity. Developments among women should also be added to this category. All these population sub-groups have experienced substantial declines in in-work poverty, sometimes by more than 5 percentage points over the observed period.

The marked drop in the in-work poverty rate of around 1.3 percentage points in 2016 was mainly caused by changes among people living in households with low work intensity. Between 2015 and 2016, the in-work poverty rate in this category declined by 8.6 percentage points (not shown). In 2016, no other risk group showed a comparable fall. The second largest decline in the in-work poverty rate for that particular year was among those with temporary contracts, where the decline was 1.8 percentage points. It should be pointed out that low work intensity is still the most influential determinant of in-work poverty. The close link in Sweden between in-work poverty and unemployment should also be highlighted. Notably, after a few years of stable unemployment levels between 7.5 and 8.0 per cent, unemployment dropped significantly, to 6.9 per cent in 2016 (not shown).

Figure 3. Changes (percentage points) in in-work poverty rates by major risk groups, Sweden 2012-2017



Source: EU-SILC.

Other population sub-groups have shown less favourable trends. It is somewhat surprising to note that people with permanent contracts and native-born people fared worst over the period reviewed, with quite substantial increases in their rate of in-work poverty, of around 2 to 3 percentage points. However, it should be noted that the in-work poverty rate for these population sub-groups was comparatively low to start with. Interestingly, the in-work poverty figures exhibit an opposite trend as between men and women, with a quite substantial increase in in-work poverty among men but a fall among women. The in-work poverty rate was fairly stable among part-time workers, migrants, people living in households with low and medium work intensity, and those with secondary or tertiary education. In terms of age, in-work poverty became slightly less common among younger people (18-24 years), while it increased slightly – by 1 percentage point or less – in the older age groups.

Many of the risk factors for in-work poverty described above are overlapping (people with primary or lower secondary education are more likely to end up in temporary employment, single parents are often female, and so forth). Without a comprehensive

multivariate analysis based on micro-level data it difficult to say anything about the net contribution of each risk factor to in-work poverty. It is also difficult to draw any sound policy conclusions from the changes in income poverty among employed people described above. As already noted, for the period 2012-2017 there was not much change in in-work poverty to explain.

In sum, we may conclude that in-work poverty in Sweden was quite stable in the period examined. In-work poverty also seemed to be more closely related to joblessness and weak labour market attachment than inadequate wages. This conclusion, and the pattern revealed using the EU definition of in-work poverty and EU-SILC (EU Statistics on Income and Living Conditions) data, is corroborated by other findings based on Swedish data. A study within the EU-GINI project showed that income poverty was much higher among those with a less strong foothold in the Swedish labour market throughout the whole first decade of this century (Fritzell et al., 2014).

A recent publication from Statistics Sweden (2018a), using a different definition of in-work poverty from the one applied in this report, revealed a more or less stable poverty rate of around 4 per cent among those working between 2011 and 2016.² By comparison, relative income poverty among those without work continued to increase, reaching 38 per cent in 2016. Thus, the gap between labour market insiders and outsiders has been growing, something that also suggests that joblessness is the key factor in in-work poverty in Sweden, not inadequate wages. In Sweden, there are in fact no policies in place that directly target in-work poverty in the latter, more narrow, sense (i.e. as something being caused by wage setting mechanisms or income taxation). As a consequence, the discussion below on potential policy impacts will be more general, addressing some overarching principles or characteristics of the Swedish welfare state that probably add to the comparatively low in-work poverty rates described in this report.

2 Analysis of the policies in place

In Sweden, unemployment and weak labour market attachment are the main determinants of in-work poverty, not pay structures. It is this dividing line between those who are well integrated in the labour market and those with more insecure positions that has become more pronounced in recent decades (Halleröd and Larsson, 2010). Below, we will discuss the most prominent legislation in place that directly or indirectly is of relevance for the incomes of people with weak labour market attachment in Sweden. We begin by addressing measures that more directly affect pay structures and employment, and thereafter focus on policies that have more indirect effects on in-work poverty.

2.1 Direct measures

Sweden does not have a statutory minimum wage. Instead, wages are negotiated between the unions and the employer federations. For blue-collar workers, almost all of the bargaining takes place at sectoral level, whereas it mostly occurs at company level for white-collar workers. Although Sweden has moved towards a decentralised and individualised system of wage formation, most agreements between the social partners incorporate a stipulated minimum wage. It is estimated that around 90 per cent of the Swedish workforce is covered by a collective agreement that includes a minimum wage floor (Uppdrag: Framtid, 2016). The state has no direct role in wage-setting, except when conflicts occur. However, labour conflicts are rare in Sweden. There are about 670

² According to the definition used by Statistics Sweden (2018b), someone is categorised as working if their annual earnings, including income from self-employment, are more than double the so-called 'base amount' and exceed 50 per cent of their total income excluding income from capital (*sammanräknad förvärvsinkomst*). The base amount is an accounting device used in many social programmes, and follows changes in the consumer price index. The base amount in 2019 is SEK 46,500 (EUR 4,650).

collective agreements. Although wage negotiations in 2017 were quite extensive, no associated strikes or lockouts were officially reported.

Collective agreements on wages in the manufacturing sector are used as a reference point for negotiations in other sectors. It is thus productivity in the manufacturing industry that determines wage trends in other sectors, including the public and service sectors. This central role of manufacturing industry in wage negotiations is from time to time challenged, particularly by unions in the service sector. Nonetheless, the model remains essentially intact.

The wage distribution in Sweden is more compressed than in many other countries, and minimum wages are high by international standards. Minimum wages in Sweden are typically paid at rates between 60 and 80 per cent of average wages (International Monetary Fund, 2015). In EU countries with legislated minimum wages, the corresponding percentage is usually in the range of between 30 and 60 per cent (Eurostat, 2018a). Moreover, an analysis by Cronert and Palme (2017) shows that the annual growth rate of minimum wages between 1995 and 2011 exceeded that of median disposable income, suggesting that low wages as such are not the primary reason for in-work poverty.

The total tax wedge as a percentage of labour costs is higher in Sweden than in many other industrialised countries. In 2017, the effective tax rate at average wages was 42.9 per cent in Sweden (OECD, 2018). Income tax made up 13.7 per cent, whereas employer and employee social security contributions were 23.9 and 5.3 per cent, respectively. By comparison the corresponding effective tax rate in all OECD countries was on average 35.9 per cent; income tax took 13.5 per cent of income, and employer and employee social security contributions took 14.2 and 8.2 per cent, respectively.

Apart from the introduction of a series of earned income tax credits (see below), the structure of the Swedish income tax system has been essentially the same since the early 1990s. It has three levels. The following applied to incomes in 2017. Depending on the level of annual income, no tax was paid on SEK 13,200 (EUR 1,320) up to SEK 34,500 (EUR 3,450). For individuals paying central government income tax, the threshold was set at its lowest level. The average local tax was 32.12 per cent, with the maximum and minimum rates being 35.15 and 29.19 per cent, respectively. On incomes between SEK 438,900 and 638,500 (EUR 43,890 and 63,850), there was a central government tax of 20 per cent. On incomes above SEK 638,500, it was 25 per cent.

In 2007, the Swedish centre-right government introduced an earned income tax credit, which has been subsequently been expanded in stages. This reform did not directly target the working-poor, but was rather introduced to lower the overall tax wedge in Sweden and increase work incentives. The tax credit is non-refundable, and cannot reduce the individual's tax to less than zero. It only applies to work income, and thus social security benefits (including pensions) are exempt. In effect, the introduction and subsequent expansion of the earned income tax credit resulted in a gradual erosion of the net replacement rates in unemployment and sickness insurance (Ferrarini et al., 2010). In 2017, the credit was SEK 26,770 (EUR 2,677) for people under 65, and was phased out on incomes above SEK 600,000 (EUR 60,000). The extent to which the earned income tax credit has increased employment and thereby reduced poverty is continually discussed, and the evidence is mixed at best. Given how earned income tax credit is constructed, proper evaluations are complicated and difficult to perform (Edmark et al., 2012).

In 2007, the centre-right government also introduced tax deductions for domestic services. The objectives were to reduce undeclared work and increase employment opportunities in low-skilled service jobs. In its structure, the tax deduction is similar to a tax relief on home repairs and maintenance, of the kind introduced in the 1990s as a temporary measure to boost employment in the construction sector. The tax deduction for home repair and maintenance was abolished and then reinstated in 2008 in response to the global financial crisis. In 2017, taxpayers under 65 could deduct a maximum of

SEK 25,000 (EUR 2,500) for eligible domestic services, and a maximum of SEK 50,000 (EUR 5,000) for home repairs and maintenance. The tax deductions for domestic services and home repairs/maintenance are mostly used by higher-income earners (Statistics Sweden, 2015; 2018b). The tax deduction as such therefore has no effect on poverty, but leads to increased income inequality. On the other hand, it creates work opportunities for people with lower educational attainment. A descriptive analysis from The Swedish Agency for Growth Policy Analysis, *Growth Analysis* (2018) suggests that there has been an increase in the number of small firms focusing on these domestic services, and that these firms to a somewhat higher extent employ people with lower education levels and people who were previously unemployed.

There is a long tradition of active labour market policy in Sweden. The original focus was on increasing labour mobility, but over time the emphasis has gradually shifted in the direction of counteracting all types of unemployment (Calmfors et al., 2004). According to the most recent Eurostat data, spending on active labour market policy as a percentage of gross domestic product (GDP) declined in Sweden from around 4 per cent in the late-1990s to around 1.7 per cent in 2016 (Eurostat, 2018b). Nonetheless, Sweden spends above the EU15 average of 1.3 per cent of GDP. Since 2012, spending on active labour market policy has been fairly stable and has only declined by 0.7 per cent of GDP.

The 'Job and Development Guarantee' is the single largest active labour market programme in Sweden. It targets the long-term unemployed, and includes an activity grant combined with screening activities, job search and coaching during the first six months of enrolment, followed by various training measures. After 450 days in the programme, work placement in both public and private sectors may occur. There is also a special job guarantee programme for young people aged 16-24. In 2014, the Swedish government appointed the Delegation for Young People to work towards promoting state and municipal cooperation in activating young people. The Delegation offers state grants to municipalities, in exchange for local initiatives to reduce youth unemployment. In 2017, the Delegation received an expanded mandate to promote collaboration between stakeholders, with the added aim of integrating new migrants into the Swedish labour market.

In 2018, the Swedish government reached an agreement with the social partners to introduce an establishment programme (*etableringsjobb*). Jobs in this programme are for two years full time, and the income received by participants is set at levels corresponding to the minimum wage floors stipulated in collective agreements. The state covers slightly more than half of the expected costs of the programme. The remainder is covered by the employer. The basic idea is that these temporary jobs will develop into regular full-time positions after two years. Part of the work hours may be used for education or training, subject to agreement with the employer.

In order to facilitate employment among people with functional limitations, there is a dedicated programme providing supported employment. In this programme, both employers and employees may receive support from someone with special competence in the matching and hiring processes. Special support may also be provided on site, when a person with functional limitations has been hired. Since 2013, people with functional limitations and reduced work capacity may acquire practical work experience within central government authorities and agencies. Since 2014, people with functional limitations who are long-term unemployed, in particular young people, may get subsidised employment at Samhall. Samhall is a state-owned company with a mandate to create work that furthers the development of people who have functional limitations that reduce their working capacity. In total, around 130,000 people with functional limitations participated in such job-creation programmes in 2017 (AMS, 2018).

2.2 Indirect measures

Most public services in Sweden are heavily subsidised, and should therefore also be accessible to poor people with limited economic resources. Healthcare is universal and

out-of-pocket expenses are comparatively modest with limited regional variation, and they are the same for all groups in the labour market. There is a national ceiling for outpatient healthcare as well as for prescribed drugs, set at SEK 1,100 (EUR 110) over a twelve month period. The highest out-of-pocket payment in primary care is SEK 300 (EUR 30), and the fee for visits to specialists is at most SEK 400 (EUR 40). Further information on Swedish healthcare is provided in the ESPN thematic report on inequalities in access to healthcare by Agerholm and Fritzell (2018).

Parents who are in employment, self-employed or in education are entitled to access childcare, either full-time or part-time depending on family circumstances. All municipalities in Sweden are obliged to offer childcare (pre-school and after-school daycare) from the day the child turns 1 until the day they turn 13. The maximum fee is SEK 1,382 (EUR 138.20) per month for pre-school provision, and SEK 922 (EUR 92.20) for after-school daycare. The maximum fee is reduced for the second and third child in pre-school daycare. Municipalities are only required to provide childcare during normal office hours.

In terms of unemployment benefits, the same basic rules apply to people in all forms of employment. Sweden has a two-tiered unemployment insurance system: a universal flat-rate benefit, and a voluntary state-subsidised earnings-related benefit. Membership of an unemployment insurance fund (for at least a continuous period of 12 months) is a precondition for entitlement to earnings-related compensation, paid at 80 per cent of previous earnings (up to a ceiling of SEK 25,025 per month, EUR 2,503) during the first 200 regular working days, thereafter reduced to 70 per cent. In 2015, the Swedish left and green coalition government increased the income ceiling in unemployment insurance, from SEK 680 (EUR 68) per day to SEK 910 (EUR 91) per day. Before this reform, the effective rate of income replacement at average wages was only slightly above 40 per cent (OECD, 2018); after the reform, it should have increased to more than 50 per cent. However, it will still be much lower than that of sickness insurance and the earnings-related parental leave benefit.

The universal flat-rate benefit is for unemployed people who are ineligible for earnings-related compensation. The flat-rate benefit is SEK 365 (EUR 36.50) per day (five days per week) before taxes. Net of taxes, the benefit is far below the EU at-risk-of-poverty line used in this study. For a single person, the flat-rate benefit is approximately one quarter of the poverty line, net of taxes. People in receipt of the flat-rate unemployment benefit often receive social assistance as a top-up. Unemployed people above the age of 20 (even those who are not members of an unemployment insurance fund) receive this basic unemployment insurance benefit if they have worked for at least 80 hours per month for a period of six months in the reference period (the reference period is the 12 months preceding unemployment), or alternatively worked for at least 480 hours for a continuous period of six months, and 50 hours of work in each of these months. These work conditions also apply to earnings-related compensation. People in all types of employment are subject to the same work conditions, and part-time employees may also receive benefits if they fulfil eligibility criteria. Benefits are paid for a maximum of 300 days of unemployment. Parents with children under 18 have a maximum of 450 days.

The differences in social protection legislation for the self-employed, people in atypical typical forms of employment, and employees with permanent contracts are less significant in Sweden than in many other European countries (Spasova et al., 2017). However, the self-employed must terminate their business to get access to unemployment benefits. This requirement reduces the usage of unemployment benefits among self-employed people (Nelson et al., 2017). Furthermore, people in atypical employment, including many newcomers to the labour market, may experience substantial difficulties in fulfilling eligibility criteria. The share of the unemployed eligible for unemployment benefits also declined substantially in Sweden, from 80 per cent at the beginning of the 2000s to about 40 per cent in the mid-2010s (Uppdrag: Framtid, 2016).

Sweden has a universal tax-free child benefit. In 2018, it was raised from SEK 1,050 (EUR 105) to SEK 1,250 (EUR 125) per month and per child up to the age of 16. In

addition, there is a universal large family supplement, which is paid for the second and any subsequent children. After age 16, there is a tax-free study allowance of similar size.

Parental leave benefits are available as earnings-related compensation, a flat-rate basic benefit, and a minimum benefit. Earnings-related compensation is approximately 80 per cent of the expected annual income, with a maximum of SEK 942 (EUR 94.20) per day. Parents without work income, or with very low income from work, may instead receive the basic benefit of SEK 250 per day (EUR 25). The minimum benefit is SEK 180 (EUR 18) for children born on or after 1 July 2006, and SEK 60 (EUR 6) per day for children born before 1 July 2006. Parents receive 480 days of parental leave per child (390 days of earnings-related compensation and 90 days of the minimum benefit). Parents with joint custody have the right to half of these days each. Parents can transfer days to each other, but 90 days with earnings-related compensation are reserved for each of the parents and cannot be transferred. If the child was born before 1 January 2016, 60 days are reserved for each parent and cannot be transferred. The parental leave benefit is very flexible, as the days can be taken as a whole or partially until the child turns 8 or finishes the first year of schooling, at the latest.

Sweden has an integrated rental system with a comparatively large not-for-profit sector, which is also available to higher-income earners (Kemeny, 2006). Regulations also set norms for dwelling standards. Poor families who cannot afford their housing may be granted a housing benefit, instead of being dependent on social housing. The housing benefit is income-tested, and only available to young people under 29 and families with dependent children. The benefit was increased in 2012, 2014, 2017, and 2018. In Sweden's National Reform Programme of 2018, it is stated that the benefit is expected to be further increased over a four-year period. Out of all parents who receive the housing allowance, 68 per cent are single parents, and of those 85 per cent are women and 15 per cent are men (Government Offices of Sweden, 2018).

Although the quality of the Swedish housing stock is better than in many other European countries, overcrowding has increased by more than a third since the mid-2000s. The share of households suffering from inadequate housing facilities on at least one dimension has increased by about one fifth. Since 2011, however, the rate of overcrowding has been stable. In 2017, around 13.5 per cent of the Swedish population lived in overcrowded dwellings, compared with 17.5 per cent in the EU as a whole (Eurostat, 2018c). Overcrowding is more common among younger people and migrants, and it also varies geographically in Sweden. Overcrowding is concentrated in the big cities, where the supply of housing is lagging behind increases in demand, caused by the large influx of people from other parts of the country and many years of insufficient housing production rates (Statistics Sweden, 2018a).

Again, it should be underlined that the key social programmes, briefly reviewed above, are not aimed at combating in-work poverty. However, these programmes may still have strong 'side effects' that contribute to the comparatively low prevalence of in-work poverty.

3 Policy debates, proposals and reforms on in-work poverty and recommendations

There has been little or no debate on the issue of in-work poverty in Sweden. There have been a few attempts by interest groups and the media to raise the issue; but in political debate so far, economic hardships and social inequalities are mostly framed in relation to unemployment and weak labour market attachment. In 2015, the Swedish left-wing think tank, Tiden, published a report on the working poor, in which it addressed the issue of social class and suggested a number of policy areas in need of extensive reform (Stenberg, 2015). Although the report gained some attention in media, it is difficult to evaluate whether it had any impact on actual policymaking. Before the national election of 2018, the Swedish public service television company (STV) asked representatives from

each political party about their views on in-work poverty. In these interviews, all parties proposed increased employment as the basic remedy.

The Swedish strategy for combating in-work poverty mainly relies on increased employment and a reduction in precarious work, rather than wage increases. In-work poverty has not been mentioned once in the Swedish National Reform Programmes 2012-2018. Nonetheless, the government has expressed a willingness to combat its main determinants as noted in this report, by boosting employment among groups with a weaker foothold in the labour market, such as young people, migrants, and people with low educational attainment. We are not aware of any EU funds being used to fight in-work poverty in Sweden.

A key strategy to reduce in-work poverty, as defined by the EU, is to restore unemployment benefit as an effective income-replacement programme during shorter spells of unemployment. However, this would require a substantial increase in the earnings ceiling for benefit purposes, and associated measures to increase access to the programme among labour market newcomers and groups in precarious forms of employment. In the National Reform Programme of 2015, the left-green coalition government expressed a willingness to improve the unemployment benefit along these lines (Government Offices of Sweden, 2015). Although the earnings ceiling for unemployment insurance was raised, effective rates of income replacement are still lower than in other programmes, such as sickness benefits and the parental leave programme. No substantial changes in eligibility criteria have been pushed through the parliament.

At the time of writing this report, Sweden did not have an elected government, and no budget for 2019, despite the election in September 2018. It is therefore at present unclear what we can expect in terms of action to tackle in-work poverty over the government period 2018-2022.³

4 Assessing data and indicators

As noted above, in-work poverty is not a salient issue in Sweden. It is generally not referred to in the public debate, or in the production of statistics. Statistics Sweden republish Eurostat data on in-work poverty, but they do not systematically publish any statistics from sources other than EU-SILC (see, however, Statistics Sweden 2018b). Poverty in Sweden is mainly driven by lack of employment opportunities, not by an increasing number of low-income earners (Halleröd and Larsson, 2008). It is among people with marginal labour market attachment that the poverty risk is particularly high, as shown in this report. The problem that Swedish policymakers face is thus a basic division between those who are excluded from the labour market and those who are included. It is mostly this particular issue that features in government reports and official investigations, rather than in-work poverty being primarily caused by inadequate wages.

In-work poverty is a complex concept that can be defined and measured in various ways. In public debates, most people probably understand it as relating to full-time workers who cannot make ends meet due to their wage being too low. However, this is not the definition used by the EU, which certainly creates opportunities for misunderstandings in public debates. Definitions of in-work poverty that include extended periods of joblessness may not only depart from common understandings of in-work poverty in public debates, they also make it much more troublesome to identify important policy impacts. One way out of this dilemma would be to produce additional statistics that could complement the analysis on in-work poverty, as defined by the EU.

³ During the process of finalising this report, a new government was formed. Like the former one, it consists of the Social Democrats and the Green Party, but now with support from the Centre Party and the Liberals. The four parties made an agreement consisting of 73 items to be implemented during the coming years. In-work poverty is not mentioned in it. Moreover, the new government has not yet made a budget bill.

We would prefer to have indicators on in-work poverty that make it fairly easy to establish whether possible drivers are related to wage-setting principles, or joblessness. An indicator on full-time/full-year employees earning below commonly agreed poverty thresholds would be one way forward. To the extent that the problem of in-work poverty has more to do with joblessness than wage structures, additional indicators are needed to establish effective policy impacts. Since the incomes of jobless households are strongly related to the ways in which income-replacement policies are organised, tax-benefit models similar to the ones presented by the OECD may be an effective tool for evaluation.

The extent to which poverty is a major threat to social cohesion depends on the ways in which it plays out in society. If everyone is income-poor during a limited phase in life, it may be less of a problem than if it is always the same groups that fall below the poverty threshold for extended periods throughout the different stages of the life course. Since EU-SILC data include panel data based on repeated interviews with respondents, indicators on transitions into and out of poverty among employed people, as well as the length of poverty spells, should be fairly easy to calculate and be published regularly by Eurostat.

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