

The privatisation of active labour market policy in Sweden

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KENNETH NELSON – EUROPEAN SOCIAL POLICY NETWORK

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The Swedish government has decided to privatise employment services. Their first attempt failed due to strong opposition among parts of the opposition. The most important challenge is to define a legal framework for the purchase of employment services that keeps unserious private providers outside of the system.



Description

Swedish active market policy is subject to major changes. These started with the budget procedures following the political turmoil of the 2019 election, when the parliament voted in favour of a conservative budget promising major tax cuts. The budget for active labour market policies was reduced by more than 20%, or €261 million (SEK 2.9 billion). The administration costs of the Public Employment Service were cut by more than 10%, or €81 million (SEK 0.9 billion).

The changes continued with reforms included in the 73-point January 2019 deal. This deal secured the support of the current Social Democratic Party (Socialdemokraterna) and Green Party (Miljöpartiet) minority coalition government, and of two centre-right opposition parties, the Liberal Party (Liberalerna) and the Centre Party (Centerpartiet) (see Fritzell and Palme 2019). In this deal, private service producers were offered an option to take over the responsibility of helping unemployed people to find work, a task which was previously done by the Public Employment Service. The public authority would only have supervisory responsibility. The privatisation of employment services was to be accomplished by an extension of LOV (Lagen om valfrihet), a law on the free establishment of private providers and free choice in primary care introduced in 2009 by the first centre-right Reinfeldt government. The time schedule for the reform of active labour market policy was tight, as the 73-point deal stipulated that all changes to the Public

Employment Service and active labour market policy should be fully completed by 2021.

Only three days after the 73-point deal was launched, still underpinned by the conservative budget, the Public Employment Service announced that they would close down half of their offices and lay off one third of their 13,500 employees. It did not take long until the reform of the Public Employment Service was heatedly discussed in the media and in politics.

In spring 2019, the Social Democratic and Green Party minority coalition government made amendments to the state budget, but these did not restore the finances of the Public Employment Service or increase the budget for active labour market policies. Nor was the tight reform schedule of the Public Employment Service relaxed. In November 2019, parts of the opposition therefore issued a motion of censure against the Social Democratic minister of labour.

This marked a turning point in Swedish politics. For the first time in history, the left party (Vänsterpartiet) joined forces with the conservative opposition, consisting of the Moderate Party (Moderaterna), the Christian Democrats and the Swedish Democrats (Sverigedemokraterna), to issue a motion of censure against a Social Democratic minister. However, their reasons differed. The left party wanted the government to restore the finances of the Public Employment Service and to abolish the privatisation of active labour market policy. The main arguments of the conservative opposition were that

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there was a lack of detailed planning and that the reform schedule was too tight.

To avoid the motion of censure, the government postponed the reform of the Public Employment Service until 2022, and added an extra €135 million (SEK 1.5 billion) to the budget line for active labour market policies in the budget for 2020-2022. The government also abandoned the idea of using LOV to privatise employment services. The extension of LOV to active labour market policy was heavily criticised, especially by the Moderate Party and the Christian Democrats, who argued that it is not suited to addressing services to unemployed people.

The reform of Swedish active labour market policy is pending. The government is still committed to privatising much of the employment services, although the exact details of the reform process have not yet been disclosed to the public.

Outlook and commentary

Active labour market policy has long been an important cornerstone of the Swedish welfare state. However, since the turn of the new Millennium, expenditure on active labour market policies has been cut almost by half, according to the latest OECD figures (<https://data.oecd.org>): from 2.1% of GDP in 1999 to 1.3% in 2018. Over the same period, unemployment increased from 5.9% to 6.3% of the labour force.

Most of the decline in active labour market expenditure took place around the turn of the New Millennium. In the 1980s and 1990s, Sweden spent on average around four times the OECD average on active labour market policy. However, a few years into the new Millennium, Sweden was

down to two and a half times the OECD average. Unfortunately, data for 2019 are not publicly available, but it will be interesting to see whether there will be a second downward shift in spending on active labour market policy, bringing Sweden even closer to the OECD average.

Several public services have been privatised in Sweden, including parts of primary care, elderly care, childcare, and the school system. Active labour market policy will soon join this list of privatised services. However, it will be a challenge to privatise employment services without LOV, as standard forms of procurement are often problematic to use in areas that involve individualised services.

A law on free establishment and free choice in employment services was introduced already in 2010 by the centre-right Reinfeldt government, mentioned above. However, the law turned out to be highly problematic, as the lack of validation and supervision opened up the door to poor quality services and private providers with no experience of labour market activation. To describe some providers of employment services, the media even used words like "charlatans" and "fortune seekers", "fiddlers", and "criminals".

It is not clear how the government will privatise employment services, and which legal frameworks it will use to do so. Politically, they can only push the reform through the parliament with the support of all or some of the conservative opposition. The left party is locked out of the negotiation due to the 73-point deal between the government, the Liberal Party and the Centre Party.

It is unclear whether the privatisation of employment services will be finished by 2022, or if it will be postponed a second time due to the COVID-19 crisis.

We are only beginning to observe the economic consequences of the pandemic, including its effects on employment. It is far from being the best time to completely reorganise active labour market policies in Sweden.

Further reading

Fritzell, J. and Palme, J. (2019). The end of the deadlock in Sweden: policy reforms in a four-party agreement, ESPN Flash Report 2019/09, European Social Policy Network (ESPN), Brussels: European Commission.

Regeringskansliet (2019). Inriktning för det fortsatta arbetet med att reformera Arbetsförmedlingen [Focus for the continued reformation of the Public Employment Service]. Stockholm: Regeringskansliet.

Socialdemokraterna (2019). Utkast till sakpolitisk överenskommelse mellan Socialdemokraterna, Centerpartiet, Liberalerna och Miljöpartiet de gröna [Outline of an agreement on sectoral policies between the Social Democratic Party, the Centre Party, the Liberal Party, and the Green Party]. Stockholm: Socialdemokraterna.

Author

[Kenneth Nelson](#) (SOFI/SU)

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