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The Swedish Reform
Programme for Growth
and Employment
2005-2008

Content

1	The Swedish reform Programme for Growth and Employment	5
1.1	Introduction.....	5
1.2	The state of the Swedish economy.....	8
1.3	Preparation of the Swedish Reform Programme for Sustainable Growth and Employment	11
2	Macroeconomic policy	14
2.1	Guideline 1 – Securing economic stability for sustainable growth	14
2.2	Guideline 2 – Safeguarding economic and fiscal sustainability	15
2.3	Guideline 3 – Promoting the efficient allocation of resources	17
2.4	Guideline 4 – Ensuring that wage development contribute to macroeconomic stability and growth.....	18
2.5	Guideline 5 – Promoting greater coherence between macroeconomic, structural and employment policies.....	19
2.6	Guideline 6 – Contributing to a dynamic and well-functioning European Monetary Union	20
3	Microeconomic policy.....	21
3.1	Guidelines 7 and 8 – Increasing and improving investment in research and development and facilitating all forms of innovation	22
3.2	Guideline 9 – Facilitating the spread and effective use of information and communications technology.....	25
3.3	Guideline 10 – Strengthening the competitive advantages of the industrial base	27
3.4	Guideline 11 – Encouraging the sustainable use of resources and strengthening the synergies between environmental policy and growth	28
3.5	Guideline 12 – Extending and deepening the internal market.....	34
3.6	Guideline 13 – Ensuring open and competitive markets inside and outside Europe	35
3.7	Guideline 14 – Creating a more competitive business environment and encouraging private initiatives through better regulation	37
3.8	Guideline 15 – Promoting a more entrepreneurial culture and create a supportive environment for SMEs.....	38
3.9	Guideline 16 – Expanding and linking up the European infrastructure	40
4	Employment policy	42
4.1	Guideline 17 – Achieving full employment, improving quality and productivity at work and strengthening social and territorial cohesion	44
4.2	Guideline 18 – Promoting a lifecycle approach to work ..	48
4.3	Guideline 19 – Ensuring inclusive labour markets, enhancing work attractiveness and making work pay for	

	job-seekers, including disadvantaged people and the inactive	52
4.4	Guideline 20 – Improving matching of labour market needs.....	56
4.5	Guideline 21 – Promoting flexibility combined with employment security and reducing labour market segmentation, with due regard to the role of the social partners.....	57
4.6	Guideline 22 – Ensuring employment-friendly labour cost development and wage-setting mechanisms.....	59
4.7	Guideline 23 – Expanding and improving investment in human capital	61
4.8	Guideline 24 – Adapting education and training systems in response to new competence requirements.....	63

Appendix 1 - Industrial Agreement

Appendix 2 - Research and competitiveness - industry's offer to Sweden

Appendix 3 - Involvement of the Sörmland Regional Association in the Lisbon Strategy

Appendix 4 - A dialogue between the Government and Swedish youth on the European Pact for Youth

Appendix 5 - Integrated Guidelines”

Appendix 6 - Indicators to monitor the employment guidelines

1 The Swedish reform Programme for Growth and Employment

1.1 Introduction

A policy for sustainable growth and full employment

The Swedish economy is doing well. Over the past ten years Sweden has had a growth rate higher than the EU and OECD average, and productivity growth has been good. At the same time the standard of living, measured as gross national income per capita, has increased as fast as in the United States. Since 1994 the number of people in employment has risen by 290 000. But this is not enough. Unemployment is still too high.

After a strong export-led growth last year, a transition is now expected to domestically driven growth, with large investments and increased private consumption. In order to augment this favourable trend the Government is making major commitments to fight unemployment, raise the employment rate and increase growth.

The Government's employment package, presented in the Budget bill for 2006, and also included in this Reform Programme, contains proposals for better conditions for enterprise, more jobs to improve quality in the public sector, jobs for unemployed graduates and extensive investment in education. Altogether 55 000 people will benefit from the employment package. In addition, 17 500 more people will be able to study at the country's institutions of higher education. The Government's target is to drive back open unemployment to 4 per cent and increase employment to 80 per cent. The long-term goal is full employment.

The surrounding world is continually changing and Sweden is meeting new challenges. Globalisation means stronger international competition, and Swedish companies are constantly encountering increasingly tough conditions. The demographic trend is affecting large parts of the world. The fact that an increasing number of people are living longer and healthier lives is a fantastic success, but it makes new demands on welfare systems.

Global warming and climate changes put the fight against environmental damage in a new light. Storms, torrential rain and heat-waves show that the price for passivity will be high. At the same time an active environmental policy does not have to be in contradiction with higher employment. It is the view of the Swedish Government that the proposals on energy efficiency and for a healthier environment that are included in this Reform Programme will contribute to growth and job creation.

Willingness to accept the rapid change that often results from the internationalized economy grows when society bears the stamp of justice, security and strong social cohesion. An active welfare policy therefore means not only a more human society but can also be a competitive advantage.

The Swedish welfare model is successful. International reports confirm it time after time: Sweden is coping well with the ongoing changes in society. Sweden has also attained a large number of the targets set for the Lisbon strategy by the EU's Heads of State- and Governments. When conditions change the Swedish welfare model must be developed – not phased out. This also means a willingness to constantly reconsider, renew and search for new and better solutions. Such an approach has guided the work with Sweden's national Reform Programme.

A new start for the Lisbon strategy

At the Spring European Council in March 2005, the EU's Heads of State- and Governments found themselves at a crossroads concerning the Lisbon strategy. Five years on the results of the strategy were mixed. Progress had been made in several areas. Important steps had been taken towards a true internal market for energy, telecommunications and financial services. The employment rate was growing, albeit too slowly, and the number of people taking part in life long learning was up, the share of energy coming from renewable sources had grown and the number of children with access to childcare facilities had increased, just to mention some of the areas where concrete targets have been set.

At the same time there was a legitimate sense of disappointment. Implementation of decisions taken had often been much too sluggish, improvements had come more slowly than anticipated and many important targets for 2010 may not be met.

In the light of this the European Council had a clear choice: either to downgrade the Lisbon strategy and move it down on the European agenda, or to relaunch the strategy and re-emphasise its importance. The European Council decided on the second approach. And it devised a new tool for speeding up implementation, i.e., each Member State is to work up concrete Reform Programmes for advancing the Lisbon strategy at the national level.

The Swedish Government supported that approach from the outset. The problems we encounter must not make us lower our ambitions. The challenges that the Lisbon strategy aims to respond to have not diminished. Globalisation and the greater economic competition that it entails is a reality, the demographic changes are exerting growing pressure on our welfare systems and labour markets and climate change and other environmental problems are becoming more threatening and costly by the day.

The decision that all Member States present national Reform Programmes with concrete commitments is an important one. The plans can serve as a vital tool for implementing decisions more rapidly. However, this way of working must not lead to the abdication of the EU-level when it comes to upholding the Lisbon strategy as a coherent European project.

The EU must continue to monitor the strategy, and general and country specific recommendations should be used also in the future. The Spring European Council should continue to collectively evaluate progress made and take decisions on how to move forward. Although the concrete issues that need tackling differ from one Member State to another the overriding approach of exploiting synergies between the social, economical and environmental dimensions of the strategy can and should be applied by all Member States.

Economic, social and environmental sustainable development

The Lisbon strategy has always been high on the Government's European agenda. The basic approach to reform laid out at the summits in Lisbon and Stockholm is close to policies that have been pursued by the Scandinavian countries for a long time. The importance of well functioning markets is underlined, but at the same time the contribution to growth and job creation that stem from education, active welfare policies and progressive environmental policies is emphasised. Making these different dimensions mutually reinforce each other and exploiting synergies between them is the way forward for modernising Europe.

Thus, it has been natural for the Government to present a national Reform Programme that fully recognises all of these dimensions, and where their respective contribution to the overriding goal of growth and job creation is demonstrated.

In Göteborg 2001 the European Council adopted the sustainable Development Strategy, which emphasises that sustainable development should be an overriding goal for the European Union. The Lisbon strategy must also be part of this ambition.

Sustainable development is sometimes seen as being only about ecology. It is true that striving for economic growth that does not deplete natural resources or create future ecological imbalances is an important part of sustainable development. But the concept of sustainable development also comprises the economic and social dimensions.

Sustainable development is basically a question of solidarity between generations, a commitment that we who live today do not act in a manner that endangers the possibilities for our children to satisfy their needs. That approach applies to all dimensions of the Lisbon strategy. For instance we need to enhance the use of renewable energy, sustainable public finances and pension systems are needed in order to avoid leaving huge debts to future generations and labour markets must be inclusive so as not to exhaust workers or encourage early retirement.

The notion of sustainable development as an overarching goal has guided the way in which the Swedish National Reform Programme has been put together.

During the first five years of the Lisbon Strategy ideas have now and then arisen that the concept of the strategy as a three- pronged strategy where social, economic and environmental policies mutually reinforce each other should be changed into a sort of "two step approach". First, market oriented reforms should be carried through. This should engender growth, which in step two could be used to pay for social ambitions and environmental protection.

The European Council in March 2005 choose not to embark on such a remodelling of the Lisbon strategy, and rightly so. Such an approach would not only represent a significant step backwards in our efforts to modernise Europe, it would also undermine the possibilities to gain broad public support for the reform process.

To the Swedish Government the three-pronged approach of the Lisbon Strategy is key to success and it has been the compass used when preparing this National Reform Programme.

1.2 The state of the Swedish economy

A shift is now expected from last year's strong export-led growth to domestically driven growth. Low interest rates and good profit rates in industry are encouraging continued strong investment growth. Household consumption is expected to continue to increase as a result of low interest rates, a good asset position, healthy income growth and a stronger labour market.

Growth in the local government sector, which has been weak, is expected to pick up strongly in 2006, partly in response to considerable central government commitments to the local government sector.

Growth is expected to reach 2.4 per cent in 2005 and 3.1 per cent in 2006. It is expected that the Swedish economy will still have unused resources at the end of 2006, which implies that it can continue to grow at a good rate in the next few years. The growth forecast is being revised downwards for 2005 and upwards for 2006, relative to the assessment in the 2005 Spring Fiscal Policy Bill.

Low inflation is a precondition for good growth and full employment. The overriding task of monetary policy, as defined by the Swedish Parliament (the Riksdag) is price stability. Subject to this basic principle, Swedish Central Bank (the Riksbank) conducts monetary policy independently. The Riksbank has defined price stability such that the increase in the consumer price index must be limited to 2 per cent per year, plus or minus 1 percentage point. The Government supports this orientation of monetary policy and endorses the target for inflation.

Table 1. Contribution to GDP growth

	2004	2005	2006
Household consumption expenditure	0.9	1.0	1.4
General government consumption expenditure	0.1	0.0	0.5
Gross fixed capital formation	0.9	1.3	0.8
Changes in stocks	-0.3	0.1	0.0
Net foreign trade	2.0	0.1	0.3
Exports	4.6	1.9	2.9
Imports	-2.6	-1.8	-2.6

Sources: Statistics Sweden and Ministry of Finance.

In 2004 and 2005 inflation was dampened by high productivity growth, moderate pay increases, weak domestic consumption and increased competition. In addition, import prices, excluding energy, have been

falling since 2003. Inflation is expected to remain low in 2005 and to climb gradually in 2006, when demand and resource utilisation in the Swedish economy will improve and the decline in prices of imported goods will be slowed.

Well-functioning wage formation makes lower unemployment, higher employment and output growth possible. The social partners have acted with considerable responsibility in recent years. The nominal rate of wage increases since the mid-1990s has been about half as high as in the 1980s, while real wage growth has been substantially better. In the business sector real wages have increased on average by 2.8 per cent per year between 1995 and 2004. In the same period, real wages have increased by 2.6 per cent in municipalities, 3.2 per cent in county councils and 2.9 per cent in central government.

Over the past ten years, Sweden has undergone a series of institutional and structural changes. The Government has therefore instructed the National Institute of Economic Research to investigate how potential productivity in the economy will develop. The National Institute of Economic Research estimates that the potential productivity increase will be on average 2.2 per cent per year from 2005 up to and including 2015.

The labour market showed a negative trend in 2004. The number of employed and the number of hours worked fell. The trend continued weak in the first quarter of 2005. In the second quarter of 2005 the number of hours worked started to increase. At the same time the number of new vacancies continued to rise and the number of redundancies announced fell.

Increasing domestic demand in 2005 and 2006 is expected to lead to higher demand for labour in the private sector. The local government sector's improved finances and the Government's employment package will pave the way for a positive trend in the public sector. Overall, employment is expected to rise by 0.1 per cent in 2005 and 1.3 per cent in 2006, with open unemployment falling to 4.8 per cent in 2006.

Table 1. Comparison of structural Indicators in Sweden and Other EU countries

Indicator	Swe	EU-15	EU-25	Among the 3 best	Among the 3 worst
GDP per capita ¹	116.1	109.3	100		
Labour productivity ²	105.4	106.7	100		
Employment rate ³ , %	72.1	64.7	63.3	X	
males, %	73.6	72.7	70.9		
females, %	70.5	56.8	55.7	X	
older workers ⁴ , %	69.1	42.5	41.0	X	
older males, %	71.2	52.2	50.7	X	
older females, %	67.0	33.2	31.7	X	
Long-term unemployed ⁵ , %	1.2	3.4	4.1	X	
Dispersion of regional employment ⁶	4.3	12	13		
males	4.1	8.2	10.4		
females	4.8	19.2	18.8		
At-risk-of-poverty rate after social transfers ⁷ , %	11.0	15.0	16.0		
males, %	10.0	15.0	14.0		
females, %	12.0	17.0	17.0		
Price level ⁸	124.3	104.0	100		X
Education level ⁹ , %	86.3	73.8	76.7	X	
males, %	85.1	70.7	73.8		
females, %	87.6	79.6	77.0		
Business investment ¹⁰ , %	12.9	17.0	17.1		X
R&D expenditure ¹¹ , %	4.3	2.0	2.0	X	
Greenhouse gas emissions ¹²	97,6	98,3	-	X	
Energy intensity of the economy ¹³	218.6	190.8	209.5		
Volume of freight transport ¹⁴ ,	90.8	100.6	99.7		

Note: Data for latest available year, - information not available, 1) forecast for 2004 purchasing power standards (PPS) GDP compared with the EU-25, 2) purchasing power standards (PPS) GDP per hour worked compared with the EU-25, 3) 15-64 year-olds, 4) 55-64 year-olds, 5)unemployed ≥12 months as a percentage of the labour force, 6) Coefficient of variation of employment rates (of the age group 15-64) across regions (NUTS 2 level) within countries, 7) The share of persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income, 8) compared with the EU-25, 9) % achieved at least upper secondary education 20-24 year-olds, 10)business investment in the private sector as a percentage of GDP, 11)as a percentage of GDP, 12) compared with base year 1990=100 (in CO2 equivalents) indexed on actual base year = 100, 13) Energy consumption as a percentage of GDP, 14) Inland freight transport volume relative to GDP, measured in tonne-km / GDP.
Source: www.europa.eu.int/comm/eurostat/structuralindicators, 2005-09-01.

1.3 Preparation of the Swedish Reform Programme for Sustainable Growth and Employment

In March 2005 the European Council relaunched the Lisbon strategy by focusing on sustainable growth and full employment. To strengthen the political commitment of the Member States and reinforce implementation at national level, the European Council called upon the Member States to submit, by October 2005, National Reform Programmes for growth and employment. Another important aim was to a higher extent involve the national parliaments and other national stakeholders in the implementation of the Lisbon strategy.

The Integrated Guidelines, approved by the European Council, serve as the basis of the National Reform Programmes. The integrated guidelines consist of the Broad Economic Policy Guidelines and the Employment Guidelines in accordance with the treaty. The guidelines respond to the main challenges that lie ahead, such as globalisation and the ageing population, focusing on reforms to promote competitiveness and economic growth, as well as more and better jobs within the overriding target of sustainable development.

The Broad Economic Policy Guidelines, being the general instrument for coordinating economic policies since 1992, ensure economic consistency between the three strands of the Lisbon strategy. They embrace the whole range of macroeconomic and microeconomic policies, as well as employment policy insofar as this interacts with those policies.

The Employment Guidelines, serving as the basis of the employment policies in the Member States since 1997, provide a key instrument to meet the Lisbon Goals, and coordinate the employment policies in the Member States. The countries have each year submitted a National Action Plan for employment, reporting on how to achieve the overarching targets and how to comply with the policy priorities set at European level. Since 2003, the targets are defined as full employment, improving quality and productivity at work and strengthening social and territorial cohesion.

The Riksdag

The Swedish Reform Programme was submitted, as a Government's Communication, to the Swedish Parliament, the Riksdag, in October 2005 and will be discussed at the Riksdag later during the winter 2005/2006. The programme sets out the Government's priorities for 2005 to 2008 and presents the Government's policy initiatives implemented or planned for the period. All policy action launched by the Government has or will be proposed to the Riksdag in the budget bill or in other bills. The programme was presented to the Commission on the same day as submitted to the Swedish Parliament.

The Government Office

The broad strategic policy approach taken by the Government to meet the Lisbon targets has involved most ministries in the Government Office¹ in preparing the Swedish Reform Programme. The main responsibility for the Programme lay within the Prime Minister's Office.

The Social Partners

The social partners play a key role in creating conditions for sustainable growth and full employment. As part of the preparation of the Swedish Reform Programme consultations with the social partners have taken place since the start. The social partners have also been invited by the Governments to present their policy priorities and suggestions.

The Swedish labour market is characterised by high degree of organisation, a broad covering of collective agreements and a well-developed social dialogue. A good example is the agreement on industrial development and wage formation. The aim of the agreement is to provide the parties in industry with the conditions needed to engage in constructive negotiations without resorting to industrial action and to promote industrial development and competitiveness (see appendix 1). Another example is the recently reached agreement between employers' and employees' organisations in the private sector on recommendations for how to manage working conditions and wages for foreign enterprises and their employees.

The social partners traditionally deal with many issues by means of collective agreements without central-government intervention in the form of legislation or involvement of public authorities. The social partners also have a central role in implementing EU directives and guidelines through arrangements in collective agreements.

Regular consultations take place between the Government and the social partners on EU matters associated with employment and the labour market as well as other issues within the interest of the social partners. These consultations, which take place both at political level and among senior civil servants, provide opportunities to discuss important EU related issues in relation to national policies and the Government's action.

The Civil society

On the 6 of September the Government arranged a seminar to discuss the preparation of the Swedish Reform Programme with representatives from a broad range of organisations in civil society, including the social partners. In connection to the seminar the organisations were also invited to submit their priorities and suggestions to the Reform Programme. The seminar provided an opportunity to have a wide-ranging discussion on issues vital for creating sustainable growth and full employment and of

¹ Ministry of Finance, Ministry of Industry, Employment and Communications, Ministry of Social Affairs, Ministry of Sustainable Development, Ministry of Education and Culture, Ministry of Foreign affairs and Ministry of Justice,

high priority for the various organisations. The role of civil society in the implementation of the Lisbon strategy in Sweden was also discussed. One important conclusion, among others, was the need to develop a dialogue and methods of consultations between civil society and the Government in the year ahead.

The conclusions of the European Council concerning the European Pact for Youth emphasises that the success of the Pact is dependant on the involvement of all parties concerned, not least youth organisations. On 25 May 2005 the Swedish Minister for Youth Affairs arranged a consultation with the Swedish national youth organisations about the Youth Pact. The discussions focused on concrete ideas for implementing the Pact, as well as on how young people want to be informed and consulted about the Pact in the future. For more information regarding the consultation see annex 4.

The Regional and local level

The responsibility for the implementation of regional development policy in Sweden is shared between national and regional level. The strategic instruments are the regional development programmes where regional priorities for sustainable development from a broad perspective are identified by the regions. Priorities correspond well with the Lisbon agenda and are carried out through regional growth programmes.

For the purpose of strengthen governance and dialogue between the national, regional and local levels, the Swedish Government will present a coherent national strategy in 2006 for sustainable regional development. The aim is to clarify the Government's objectives with regard to regional development and implementation of the Cohesion Policy in line with the European Commission's initiative to strengthen the strategic approach to the Cohesion Policy.

A number of Swedish local municipalities have, on a voluntary basis, launched a process to prepare local initiatives for growth and employment in line with the Integrated Guidelines and the Lisbon targets. The Government welcomes these initiatives and regards them as important contributions to a coherent implementation of the Lisbon strategy throughout the country. An example of a local initiative in relation to the Lisbon strategy from the region of Sörmland is presented in annex 3.

2 Macroeconomic policy

The Government's economic policy strategy focuses on full employment and increased prosperity by means of high and sustainable growth. Low inflation, strong and sustainable public finances and demand sufficient to gear the economy towards full capacity utilization are preconditions for the policy's success. Sweden's long-term conditions for growth must be strengthened to help meet the national target of full employment. The Government has implemented a number of structural reforms in order to make the economy function better.

To ensure long-term economic stability, the Government has improved its budget discipline by determine an expenditure ceiling for central government and a surplus target for general government net lending. The surplus target and the reformed old age pension system play an important role in ensuring economic and fiscal sustainability. The Government's employment policy is well in line with the European Employment Strategy, and further action will be taken to promote labour supply and employment.

To encourage efficient allocation of resources, the Government has implemented most of a tax reform aimed at reducing marginal taxes and the overall tax burden on low and middle-income earners. The remaining step will be taken during 2006. Sweden is also implementing a so-called green tax shift. Central Bank's independence has been strengthened. The Central Bank's inflation target plays a central role in ensuring that wage trends contribute to sound growth and full employment. Furthermore, Sweden has a National Mediation Office assigned to promote efficient wage formation.

2.1 Guideline 1 – Securing economic stability for sustainable growth

Sound public finances

Swedish public finances are sound and fully in line with the Stability and Growth Pact. The target of an average surplus in government net lending of 2 per cent of GDP over a business cycle, as decided by Parliament, establishes a framework for fiscal policy. The surplus provides a stable foundation for meeting the challenges posed by the growing increase in the proportion of older people in the population. It also provides a safety margin for the public finances, making it possible to offset a recession with a countercyclical fiscal policy. To promote achievement of the overall target, annual targets are set to reflect the prevailing economic conditions. In addition, Parliament establishes multi-annual, nominal expenditure ceilings for central government.

Table 3. Government net lending and expenditure ceiling, *per cent of GDP*

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net lending	5.0	2.6	-0.5	-0.1	1.4	1.4	0.7	1.1	1.6
Expenditure ceiling ²	32.8	32.9	32.9	32.9	32.8	33.2	32.8	32.7	32.3

Source: Statistics Sweden and Ministry of Finance

Price stability

The legislation concerning the Swedish Central Bank, the Riksbank, which took effect in 1999, identifies the objective of monetary policy as the maintenance of price stability and specifies that monetary policy decisions be taken independently by the Executive Board of the Riksbank. The Riksbank has defined its price stability target as 2 per cent inflation, with a tolerance of plus or minus one per cent. The Central Bank has explained that its assessment of underlying inflation in the next two years will essentially determine the direction of monetary policy. In underlying inflation direct effects of changes in interest rates, taxes and subsidies are excluded.

Inflationary pressure has remained low in 2005, although inflation is likely to rise gradually towards 2 per cent over the next few years. In June 2005, the Riksbank cut its key interest rate to a historically low 1.5 per cent. Both the key rate and the market rates are expected to increase at a modest pace.

Table 4. Inflation and interest rates

	2004	2005	2006	2007	2008
Inflation, CPI, Dec-Dec	0.3	0.7	2.0	3.1	2.3
Underlying inflation ³	0.7	1.1	1.5	2.0	2.0
Key interest rate	2.00	1.50	2.50	4.00	4.00
Long-term interest rates	3.90	3.75	4.15	4.35	4.35

Source: The Riksbank, Statistics Sweden and Ministry of Finance

2.2 Guideline 2 – Safeguarding economic and fiscal sustainability

As in the rest of the EU, the proportion of older people in the Swedish population will increase markedly over the coming decades. The greater ratio of people outside the labour force to the working population will exert pressure on tax-funded welfare systems. If comprehensive and high-quality public welfare is to be maintained, strict budgetary discipline and a high employment rate will be vital. Meeting the budgetary surplus target will cut the general government debt as a percentage of GDP almost in half by the mid-2020s. This will greatly

² Adjusted for technical changes.

³ According to UNDIX December–December.

improve Sweden's ability to handle increased expenditures brought about by an ageing population.

A sustainable welfare system

Sustainable pension and social security system in combination with efficient provision of social services are cornerstones of the Swedish welfare system. Sweden reformed its old age pension system in 1999 from a defined benefit to a defined contribution approach. The system is autonomous and actuarial in design, promoting financial stability and providing strong incentives for work (see Guideline 18).

- A commission of inquiry - the Social Security Commission⁴ - has been appointed to take on the task of analysing the social insurance arrangements. The analysis will show how efficiently the social insurances function and reveal shortcomings and merits, as well as socio-economic and welfare effects. Particular focus will be placed on questions relating to ill-health. Various ways of improving the system will also be presented. The report will be submitted no later than November 2006.
- The Government has appointed a committee of inquiry – Committee for Public Sector Responsibilities – with the task of analysing and assessing whether the structure and allocation of assignments in central and local government need to change in order to meet various welfare challenges more effectively. The committee will announce its findings in early 2007.
- Further measures are taken to improve tax collection, as well as to prevent tax and social insurance fraud.

More people in work

The Government's efforts regarding the labour market are fully in line with the European Employment Strategy. Sweden has already met the EU target of a 70 per cent employment rate in 2010. The Government's national target is full employment, and as a first step to increase regular employment to 80 per cent of the population aged 20–64 years and reduce unemployment to 4 per cent. The Government has also set a target to halve the absence from working life due to sick leave until 2008 compared to 2002, while simultaneously lowering the number of additional activity and sickness benefit cases (previously invalidity pension). Another Government target is to reduce the number of people who are dependent on social security allowance. Additional measures aimed at boosting employment among youth, older people and immigrants will be taken with a view to meet labour market policy targets. A special working group has been set up to analyse and propose ways of boosting total labour supply (see Chapter 4).

⁴ Dir. 2004:129.

2.3 Guideline 3 – Promoting the efficient allocation of resources

Quality in public finances is crucial, given that Sweden has a relatively high level of public expenditure and can expect a growing demand on public finances as the proportion of older people in the population increases.

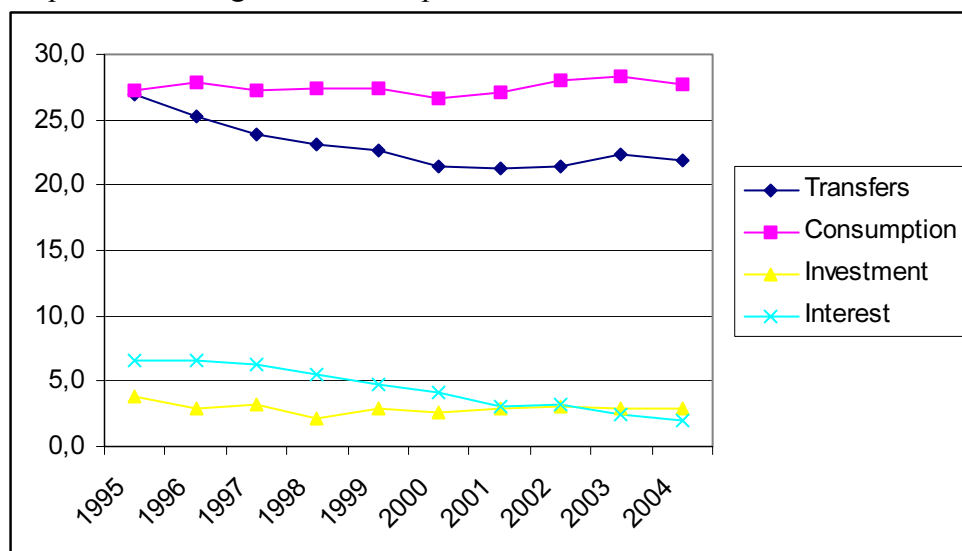
Fluctuations in the allocation of general government expenditures for different purposes over time provide an indication of changing priorities. In 1995–2004, consumption expenditures as a percentage of GDP were largely unchanged. In the same period, both transfer payments and interest expenditures declined in proportion to GDP. Consumption accounted for 51 per cent of all general government expenditure in 2004.

Changes in the tax system to promote growth

With respect to taxes, a number of measures to improve growth conditions have been or are about to be adopted. The measures cover direct taxes on earned income and capital income, as well as indirect taxes.

- Starting in 2000, income earners have gradually been compensated for their contributions to the public pension system. The compensation takes the form of a tax credit, which effectively reduces both marginal and average income tax rates, in particular for low and middle-income earners. A tax credit of 87.5 per cent of the pension contribution will be allowed for the 2005 income year. In the budget bill for 2006⁵, the Government proposes that compensation be given for the whole of the pension contribution (see Guideline 19).

Graph 1: General government expenditure. Per cent of GDP.



Source: Statistics Sweden.

⁵ Prop 2005/06:1.

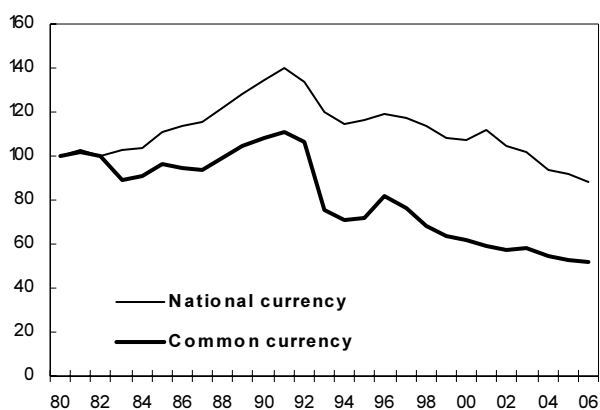
- As part of the above-mentioned income tax reform, the threshold that determines when income earners start to pay central government tax on earned income has been raised.
- Since 2001, Sweden has had a green tax shift that involves higher environmentally related indirect taxes and lower taxes on earned income. So far, half way through the 10-year programme, taxes amounting to 0.5 per cent of GDP have been shifted. The proposals in the Budget bill for 2006 will result in an accumulated shift of 0.6 per cent of GDP.
- Gift and inheritance tax was abolished as of 2005, thereby improving conditions for businesses. Furthermore, taxes were reduced for owners of closely held companies in 2004, and the second major step will be taken in 2006 (see Guideline 15).

Since the tax reform of 1990/1991, changes have taken place in both the economy and the tax system itself. The Government thus believes that a general overview of the tax system is needed.

2.4 Guideline 4 – Ensuring that wage development contribute to macroeconomic stability and growth

A precondition for balanced growth in the national economy is for labour costs not to exceed those in other countries, unless productivity is also higher. Since the early 1990s, Sweden's relative unit labour cost has decreased (measured in terms of both national and common currency). The Government projects that wage increases in the years ahead will reflect underlying growth in productivity and thereby contribute to sound macroeconomic development.

Graph 2. Industrial unit labour costs in Sweden relative to 11 OECD countries



Sources: NIER, Statistics Sweden and Ministry of Finance.

The main responsibility for wage formation in Sweden lies with the social partners on the labour market. The National Mediation Office was set up in 2000 to promote an efficient wage formation process. The Office adopts a variety of approaches to help the social partners in the negotiations to take account of national economic factors. The office is also required to actively promote the drawing up of timetables for the

bargaining process so that new agreements can be concluded before the previous ones expire. The aim is to avert conflict on the labour market. The Government's instructions also stipulate that the National Mediation Office must uphold the prevailing consensus in the Swedish labour market concerning the pacesetting role of the competitive sector in wage negotiations. This must be achieved through direct talks with the parties concerned (see Guideline 22).

2.5 Guideline 5 – Promoting greater coherence between macroeconomic, structural and employment policies

A broad and integrated policy strategy that explores synergies between different policy areas is an essential prerequisite for stable growth. The Swedish strategy focuses on flexible and efficient social security systems, well-functioning markets and environmental sustainability. During the 1990s, the Government carried out a number of structural reforms to improve the efficiency and the long-term growth potential of the economy (see Chapter 3). Economic development in Sweden has been good in many respects (see Chapter 1).

Although the situation in Sweden is fundamentally sound, a number of factors can influence economic growth. Demographic trends are likely to have a negative impact on employment development, and the shift in demand towards increased provision of services could have an adverse effect on productivity growth (see Chapter 4).

A broad policy approach for growth...

The main challenge for the future is to create suitable conditions for utilizing the benefits accruing from markets that have opened up to competition. In order to increasing the competitiveness of the Swedish private sector, the Government has initiated an innovation strategy for growth through renewal. Conditions for firms, especially small businesses, will be improved by cutting red tape, lowering taxes, encouraging entrepreneurship, improving cooperation between the universities and the private sector, and strengthening the infrastructure. A major investment programme in road and rail transport will be implemented between 2004 and 2015 (see Chapter 3).

...full employment...

Swedish economic policy will continue to focus on full employment. In order to achieve this, the long-term growth in labour supply is essential, both in terms of number of people and in terms of total hours worked. This overarching objective can be broken down into several sub-challenges, the most important of which are: encouraging older people to stay longer in working life, helping young people to enter the labour market, significantly raising the employment rate amongst people with foreign backgrounds, substantially reducing the number of people on sick leave and bringing down the level of unemployment. The Government

has adopted a number of measures to meet these challenges (see Chapter 4).

...and sustainable development

As far as ecological sustainability is concerned, the so-called green tax shift will remain in place as a means of increasing environmental control. Green key indicators will facilitate the more effective monitoring of the move towards ecological sustainability. Further initiatives will also be taken to encourage the use of renewable energy sources and to improve energy efficiency (see Guideline 11).

In 2006, the Government will present a coherent national strategy for sustainable regional development. The aim is to clarify the Government's objectives for regional development and the implementation of Cohesion Policy in line with the European Commission's initiative to strengthen the strategic approach to Cohesion Policy. The Government's intention is to improve coordination and the dialogue between decision-takers at a national, regional and local level.

2.6 Guideline 6 – Contributing to a dynamic and well-functioning European Monetary Union

See Guideline 1–5.

3 Microeconomic policy

Globalisation, economic integration and structural changes offer both opportunities and challenges. Sweden's competitive edge will depend increasingly on good access to knowledge, product development, flexible and efficient organisation of work as well as efficient and environmentally compatible production processes. Sweden has prospered from globalisation thanks to a large degree of openness and a social welfare model that helps people adapt to change. Increased international competition and the continuing modernisation of the regulatory frameworks, both in the EU and in Sweden, have opened up markets previously shielded from competition. This development has benefited the economy, but has also accentuated the need to ensure continuously well-functioning markets.

Sweden has the highest level of investment in R&D in the EU and one of the highest levels of education among youth. Sweden also scores well on environmental indicators (see Section 1.2, Structural indicators). The high level of consumer prices is more problematical, however, and this remains a concern in spite of some improvements in recent years. The price level in 2003 was estimated at almost 25 per cent above the EU average. Business investment is also relatively low in Sweden. In 2004, Swedish business investment amounted to 13 per cent of GDP compared with the EU average of 17 per cent. The Government will address these problems by taking measures to improve competitiveness and business environment.

High-quality knowledge for increased competitiveness

In an increasingly global economy, a high level of knowledge and continuous renewal are essential for achieving scientific excellence and sustainable competitiveness. To encourage development along these lines, the two most recent government bills to Parliament on research policy from 2000 and 2005⁶ focus on the importance of concentrating efforts on investments in postgraduate education, basic research, technology transfer and the interplay between science and innovation. In 2004, the Minister for Industry, Employment and Communications and the Minister for Education and Research presented a joint innovation strategy – Innovative Sweden – as a framework for developing policies in line with the Lisbon strategy. This innovation strategy is the result of a process involving industry, academy, social partners and the public sector. The strategy focuses on four areas: a knowledge base for innovation, an innovative private sector, an innovative public sector and innovative people.

Strengthening the knowledge base is a high priority for the Government. Resources need to be concentrated more in areas of excellence and where knowledge is important for industrial

⁶ Prop 2000/01:3; Prop 2004/05: 80

competitiveness. Turning knowledge into growth and renewal also requires an increased effort. Even though the number of start-up companies increased last year, entrepreneurial activity in Sweden remains weak from an international perspective. In order to improve the conditions for entrepreneurship and a competitive business sector, the Government has taken, and will take a number of initiatives. These initiatives include increased protection of intellectual property rights, secure a more effective supply of capital as well as simplified regulations to reduce the administrative burden on companies and to encourage positive attitudes towards entrepreneurship. It is important that both women and men regard it as both positive and natural to start up and run their own companies.

Well functioning markets

A strengthened competition policy and a restrictive approach to and utilisation of state aid to individual companies and sectors are important framework conditions for well-functioning markets. The Government is currently involved in quantifying the results of the regulatory reforms that have been introduced and creating the appropriate conditions (i.e. strengthening the role of the consumer and increasing the enforceability of the Competition Act) to benefit fully from the deregulated markets. In this context, further lowering of the EU's external trade barriers would not only favour consumers, but would also strengthen the competitiveness of the Swedish business sector.

Environmentally driven growth

The Government regards a clean environment as beneficial for the economy. Environment-driven businesses, eco-innovations and cleaner technology not only make a substantial contribution to growth and employment. They also enable the costs associated with negative effects on human health and the environment, for example, to be avoided. Environmental considerations are thus an integral part of Government policy in other areas such as industry, transport, energy, regional development and research and innovation.

3.1 Guidelines 7 and 8 – Increasing and improving investment in research and development and facilitating all forms of innovation

The aim of research and innovation policy is to make Sweden a leading knowledge and research nation characterized by scientific excellence and a high capacity for product renewal. Sweden has already reached the 3 per cent goal, since its combined public and private investments in research and development (R&D) account for more than 4 per cent of GDP, of which slightly more than 75 per cent is financed by industry. The target is for the public resources that are invested in research every year to reach one per cent of GDP annually. Swedish companies and

universities are internationally oriented and participate at a high level in international research and collaboration projects both within and outside the EU. Sweden is keen to increase the number of female researchers in all scientific areas. The recently presented research policy bill – Research for a better life⁷ – is in line with this ambition.

In an increasingly competitive environment, innovation is crucial when transforming knowledge into growth and renewal. This was an important factor behind the innovation strategy – Innovative Sweden – formulated in 2004. The implementation of this strategy in the next few years through government bills to parliament and other initiatives will be closely monitored.

Research for a better life

The Government intends to take a number of measures in the coming year to stimulate investment in research and development, promote knowledge transfer, develop scientific excellence and encourage innovation.

- The Government has expressed the view in its bill – Research for a better life – that government funding for research and postgraduate education should be increased by SEK 2.34 billion for the period 2005–2008, which represents an increase of 9.8 per cent compared with the budget for 2004. The main focus of these investments will be further to reinforce scientific quality and to ensure that the Swedish research system offers the best conditions for internationally competitive research. Efforts will be concentrated in areas that can contribute to social development and growth within the business sector. Special initiatives are proposed in medicine, technology and sustainable development.
- To promote cutting-edge research, strong research environments and centres of excellence that are internationally competitive in all scientific fields will be built up gradually to a level of SEK 300 million per year.
- Renewal of the Swedish research community will continue. Initiatives will be adopted for postgraduate education and postdoctoral positions. Resources will be made available to higher education institutions, the Swedish research councils and the Agency for Innovation Systems (VINNOVA). The Councils and VINNOVA will also be allocated funds for schools of research in strategic areas.

Technology transfer and increased commercialisation

Public research in the Swedish innovation system is undertaken mainly by the universities. In addition to carrying out research and higher education, they shall also work with the surrounding society. This task includes promoting the valorisation of research results. Further measures will be taken to develop the universities' capacity for innovation and to facilitate the commercialisation of the research results.

⁷ Prop. 2004/05:80

- Resources have been set aside to promote new public-private partnerships in sectors of special importance (see Guideline 10). Programmes will be formulated in a dialogue between the Government and government agencies, industry and employee organisations. Several of these measures support the Swedish innovation strategy.
- The view of the Government is that ownership of their research results by the researchers (academic exemption) may be a possible barrier to the intention of the government to increase utilisation of research results. An investigator is currently looking into the legal consequences of a change in policy.
- Universities and colleges specialising in technology, medicine and science will be assigned to develop action plans for commercialisation and technology transfer. Fourteen of the 37 higher education institutions have set up holding companies. The government intends to appoint a negotiator to recommend a more effective structure with fewer holding companies and a reinforced capital base.
- The research institute sector in Sweden is small by international standards and is sectorally oriented. A restructuring process has started with the aim of creating larger and more polytechnically oriented institutes. Increased resources will be given to the institutes to facilitate access by industry, in particular SMEs, to research results.
- A lack of availability of seed capital has been identified as one of the bottlenecks to commercialisation. The Innovation Bridge, a regional structure for seed capital in seven university locations for the commercialisation of research results, has been strengthened and now has SEK 1.8 billion at its disposal over a ten-year period between 2005 and 2015.
- Knowledge-intensive companies, which have close links with the universities and colleges, are generating a higher rate of growth than other companies. VINNOVA will accordingly be allocated resources to improve the access of SMEs to R&D.

Measures to increase protection of intellectual property rights

The protection of intellectual property rights is important, not only for promoting investment in innovation and creativity, but also for increasing employment and improving competitiveness. Unlike large companies, SMEs often lack the resources to defend their intellectual property rights. The Government therefore intends to take a number of measures to increase the protection of intellectual property rights:

- The EU Commission has started to draw up proposals for patent litigation insurance at European level. The Government will actively monitor this work with a view to providing companies with the opportunity to defend their rights by legal means.
- To give proprietors effective means of enforcing their rights, legislative measures are being taken to implement the Directive on the Enforcement of Intellectual Property Rights. The scope for

strengthening action by the law enforcement agencies in this area is also being studied.

- Preparations are being made for the establishment of a court system with exclusive jurisdiction in all civil and criminal intellectual property cases in order to create an even more effective and more specialised court system than today's.
- Measures are being taken to encourage inventors and innovators to protect their rights, for example in the area of patent law, where the implementation of the so-called London Agreement will lead to lower costs for European patent applications.
- A new Trademark Act will offer a simpler procedure for the registration of trademarks and the cancellation of trademark registrations, which will reduce the administrative burden on companies.
- A review is being conducted into the financial aspects of patenting on the growth of companies. The findings will be presented at the end of the current year together with proposals to create understanding and appreciation, mainly among small knowledge-intensive companies, of the financial benefits – and costs – of patenting.

3.2 Guideline 9 – Facilitating the spread and effective use of information and communications technology

A large and growing proportion of the Swedish population participate in the information society. In July 2005, the Government presented an IT bill – From an IT policy for society to a policy for the information society⁸ – for achieving these goals. The goal of the Government's IT policy proposed in the bill is that Sweden must be a sustainable information society for all. To achieve this goal, three sub-goals are proposed: quality, sustainable growth and accessibility. The Government also expresses a view on two essential conditions, public confidence in IT and coordination.

Quality

IT must contribute to a better quality of life and help improve and simplify everyday life for people and businesses. Through private and public e-services, IT is now making a substantial contribution to quality, utility and pleasure in most people's private and professional lives and has a natural place in most businesses. The Government wants to support this by stimulating and facilitating the development and introduction of IT in public sector activities and public services, targeting both individual people and companies. Public e-services are of great importance to fostering increased quality and productivity in the information society.

- To stimulate the development of electronic services in the public sector, a delegation for development of public e-services (the 24-hour

⁸ Prop. 2004/05:175

delegation) was appointed in the autumn of 2003. In June 2005, the Government appointed a committee of inquiry with the aim of creating a new agency for administrative policies, to which the duties of the 24-hour delegation, among other things, will be assigned.

The goal of the IT policy is that the information society must be all-inclusive: women and men, young and old, with or without disabilities, businesses and public authorities in densely-populated and sparsely-populated areas in all parts of the country.

- Special measures will be needed to enable people with disabilities to participate in the information society. The National Post and Telecom Agency, acting jointly with the National Board of Health and Welfare, will be commissioned to continue with the development of service centres for deaf-blind and visually impaired persons.
- E-services and IT support in the health care sector are a priority area, with projects including a national patient overview and the aim of enabling the electronic communication of information between health authorities and different levels of the health service.
- A national high-level group for e-health and other care services was established in March 2005. The target is for the group to present a national IT policy for e-health and other care services at the end of 2005/beginning of 2006, identifying areas of strategic importance for nationally coordinated actions.

Sustainable growth

IT must be used to promote sustainable growth. IT permits more efficient production methods and new and growth-promoting working methods in both private and public activities. The importance of information technology for innovation and growth is a recurring theme of the innovation strategy – Innovative Sweden – (see Guidelines 8 and 10).

- Financial support for the development of IT skills in SMEs will be made available to increase these companies' use of e-commerce with a view to enhancing the competitiveness of their innovations and boosting growth.
- The Agency for Innovation Systems (VINNOVA) has been given increased resources for research and postgraduate education for the period 2005–2009. Part of this investment may benefit research and development of IT.

Accessibility and security and confidence in IT

An effective and secure physical infrastructure for IT, with a high transmission capacity, must be available in all parts of the country so as to increase opportunities for people to access to, among other things, interactive public e-services. The Government's view is also that confidence in IT should be improved by counteracting any threats to integrity and Internet content that is harmful to children. Accessibility and security and confidence in information technology are preconditions for achieving the goal of a sustainable and all-inclusive information society.

- The Government has proposed a new law on country code top-level domains aimed at ensuring secure and effective administration of country code top-level domains for Sweden (e.g. .se) and at facilitating State access to and supervision of the administration.
- A committee of inquiry will be appointed to investigate and propose measures to make the decision-taking process more effective in accordance with the Electronic Communications Act (ECA).
- A committee of inquiry⁹ will be appointed to study the accessibility of the physical infrastructure.
- The Swedish Consumer Agency will be tasked with implementing special information drives for consumer advisors on IT issues.

3.3 Guideline 10 – Strengthening the competitive advantages of the industrial base

The aim of Swedish industrial policy is to strengthen competitiveness in the short and long term by supporting important sectors of the economy and ensuring the development of new markets and companies. An important part of the policy thus focuses on actions to improve Sweden's capacity for renewal.

An innovative and competitive industry

The impetus for the new industrial policy is presented in the innovation strategy, Innovative Sweden – a strategy for growth through renewal. A central part of the strategy is the Government's discussions with representatives of industry, public authorities, researchers and the social partners from six important sectors of the Swedish economy (automotive, IT/telecom, biotechnology, pharmaceuticals, metals, and pulp and paper). The aim is jointly to develop an action plan for each of these industrial sectors, based on an analysis of the current situation and the strengths of the Swedish players. The effects of any synergies between initiatives in different sectors must also be identified. The proposed measures can include regulatory reform, research programmes in public-private partnerships and creating a forum for cooperation. The purpose is to improve communication between the players and to create better decision-making and prioritisation of reforms. A similar project has been concluded with the Swedish aerospace industry. The work on the Technology Platforms programme at European level will be of significance.

Another forum, which supports and develops industrial policy, is the Industry Committee, made up of 8 trade unions and 12 employers' organisations. The Committee has been involved with industrial development since the start of 1997 and has taken the initiative for an annual forum, "Industry Days", to discuss industrial competitiveness. In October 2004, the Industrial Committee presented an action program

⁹ Dir. 2005:105.

entitled "Research for competitiveness – industry's offer to Sweden". This marked the start of regular discussions between the Government and both sides of industry aimed at strengthening competitiveness within Swedish industry (see Appendix 2).

Regional competitiveness

To support regional competitiveness and to make the regions visible to foreign investors, innovation initiatives based on close cooperation between industry, universities and the public sector are being implemented.

- The Visanu programme supports the development and marketing of regional clusters with the potential to become internationally competitive. The programme is administered by the Agency for Innovation Systems (VINNOVA), the National Board for Industrial and Technical Development (NUTEK) and the Invest in Sweden Agency (ISA).
- Regional clusters are evaluated and supported to a certain degree at national level in the Vinnväxt programme operated by VINNOVA. Until now, 10 clusters have been selected to receive grants for a 10-year period. In addition to national funding, support is also available at regional level.

3.4 Guideline 11 – Encouraging the sustainable use of resources and strengthening the synergies between environmental policy and growth

A challenge faced by all countries is to decouple economic growth from environmental degradation. The Government's objective is to place Sweden at the forefront of the transition to a sustainable society by emphasizing the need for an integrated policy for environmentally sustainable growth and welfare. It is important that relevant measures within industry, the economy and employment promote environment-driven business development, eco-innovations, clean technology and the environmental technology sector.

Environmental technology is important for Sweden, including in economic terms, and the export of environmental technology currently generates substantial revenues. Swedish companies exported environmental technology to a value of SEK 25 billion in 2004, with export growth approaching 15 per cent. Export of environmental technology has had, and will continue to have a substantial impact on the creation of new jobs in Sweden.

Sustainable energy

The Government's long-term and short-term energy policy objectives are to secure a sustainable and reliable supply of electricity and other forms of energy on internationally competitive terms. The Government has set itself a new objective of creating conditions to break the dependence on

fossil fuels by 2020. Energy policy must also create the conditions for a less negative effect on health, environment and climate, and must facilitate the transition to an ecologically sustainable society. Sweden's energy policy focuses on the efficient use of energy and a transition to the increased use of sustainable and renewable sources of energy. Production of biomass accounts for a significant part of Sweden's energy production, e.g. by converting residual products from logging operations into solid bio fuels. It is thus of great importance for Sweden to achieve a balance between the conservation of its natural resources and the sustainable use of its forest ecosystems.

After the referendum on nuclear energy in 1980, the Swedish Parliament declared that nuclear power will be phased out at a rate that is practically feasible consistent with the demand for electricity. Sweden has until now reduced the number of reactors in service from 12 to 10. The next step is an assessment of the oldest remaining reactors, which is due to take place in some years.

Renewable sources of energy

The present target, which has been adopted by Parliament, is to increase the consumption of electricity from renewable sources of energy by 10 TWh between 2002 and 2010. The Government has also proposed a new target of increasing consumption by 15 TWh by 2016 compared with the 2002 level. Today, approximately one-third of the total energy supply already comes from renewable sources of energy. The long-term objective is to base the entire supply of energy on renewable sources. So far, the main instruments used to promote renewable technologies have been taxation, the green electricity certificate system and increased support for wind power and planning. The EU's system of emission trading according to the Kyoto Protocol also contributes to the promotion of renewables.

- The electricity certificate system (introduced in May 2003) is the most important financial instrument in this context. The system makes it mandatory for a certain proportion of electricity consumption by consumers to be obtained from renewable sources. As an integrated system for all sources of renewable energy, it encourages competition between different forms of renewable energy, thereby increasing the cost-effectiveness. The system has been evaluated, and the Government intends to submit a proposal for its prolongation to Parliament.
- Additional funding has been allocated, including for a national planning objective for wind power generation of 10 TWh by the year 2015 and investment grants for the large-scale expansion of wind power, e.g. offshore wind power.
- A special programme extending in total to SEK 2 billion to promote investments in the use of renewable energy and energy efficiency in public buildings was launched in May 2005, and this will increase the rate of conversion. A further SEK 2 billion during the period from 2006 to 2010 has been earmarked for conversion from direct-acting electric heating and oil-fired heating in private housing to heating

systems with renewable energy, district heating or other sustainable alternatives.

Increased energy efficiency

The other main focus of energy policy is increased energy efficiency. The Government has initiated several programmes targeted at housing and housing construction with a view to decreasing the need for energy and, at the same time, contributing to lower costs for households:

- A total of SEK 1 billion has been allocated for information and the dissemination of knowledge through cooperation at a local, regional and central level, and for stimulating the development of environmentally friendly products in the period from 2003 to 2007. The programme includes support for technology procurement and market introduction of energy-efficient technology and the development of tools and methods for energy-efficiency measures.
- The Government is currently preparing a national programme for energy efficiency and energy-smart construction. The programme aims to release the high potential for energy efficiency in the current building stock and will specifically address the importance of and the opportunity for energy efficiency in conjunction with rebuilding and new building projects.
- Increased resources for research and development in the energy area will be allocated from 2006 onwards with measures for developing products and processes for a clean and efficient energy supply and the efficient use of energy. The Government proposes that SEK 818 million be allocated for this purpose in the Budget bill to Parliament for 2006¹⁰.
- A programme of increased energy efficiency measures in energy-intensive industry entered into force in January 2005. This will play an important role in speeding up the more efficient use of energy in electricity-intensive industry, and as such will contribute to the more efficient use of energy sources in our society.

Sustainable transport

The overall goal for the transport sector is to secure economically efficient and long-term sustainable transport. The increase in greenhouse gases from the transport sector is one of the greatest problems for environmentally sustainable transport. Efficient use of vehicles, renewable fuels, different modes of transport and planning of the infrastructure are crucial parts of any solution. Sweden's indicative target for the introduction of bio fuel in accordance with the EC Directive on the promotion of the use of bio fuels or other renewable fuels for transport purposes has been set at 3 per cent for 2005.

- Vehicle tax will be reformed during 2006 with a view to make taxation of heavy motor vehicles environment related and improving the competitive situation of the transport industry. The Government is

¹⁰ Prop. 2005/06:1

considering differentiating the tax scale according to the existing environmental classes (EURO).

- A kilometre tax for heavy vehicles offers a good opportunity for internalising the external costs to society that goods transport by road entails. The Government is considering how to utilize the potential for further tax differentiation. The effects of the new tax structure on companies' competitiveness will also be studied.
- More effective economic incentives are required to motivate car buyers to choose fuel-efficient vehicles to a greater extent. The Government intends to modify vehicle tax so that it is based on carbon dioxide emissions instead of being based on weight, as is the case today. This can take place in conjunction with the introduction of new, simplified and modernised legislation for vehicle taxation. Such a tax reform should be possible during 2006.
- The changed vehicle tax for passenger cars will be supplemented by improved environmental information for consumers. The information will cover all new passenger car models and will be provided at the point of sale. Improved information for consumers on the fuel efficiency and carbon dioxide emissions of different car models is an important tool to guide consumers towards more sustainable consumption patterns.
- The Government is working for a change to the national diesel specification to permit an increase to 5 per cent in the level of methyl ester from rapeseed oil in diesel fuel. The Government is also considering increasing the proportion of ethanol in petrol to 10 per cent. However, this is not possible under the current EC Directive on fuel quality.
- The Government intends to introduce a new environmental class for renewable fuels. To comply with this new environmental class, the fuel must fulfil certain specifications, must be renewable and must be approved by a major motor vehicle manufacturer. The Government is also looking into the possibility of introducing national regulations that allow end consumers to convert conventional cars to run on renewable fuels.
- The Government intends to present a bill to Parliament requiring petrol stations to sell renewable fuels. The bill aims at a gradual expansion of filling stations offering renewable fuels between 2006 and 2009. The expansion will bring about a radical increase in the number of petrol stations, which sell renewable fuels.
- To increase the proportion of environmentally friendly cars used by central government employees, the Government has decided that at least 25 per cent of all cars purchased by government authorities during 2005 must be environmentally friendly (biogas, ethanol or electricity). The target for 2006 is 35 per cent.
- The government is considering introducing a new tax on air travel in the form of a tax on transported passengers, during 2006.

Technology for the environment

- In June 2005, the Government decided to set up the Swedish Environmental Technology Council (SWENTEC) to coordinate measures to promote environmental technology and environment-driven businesses along the entire chain, from R&D to market introductions and export. Different players (national, regional, local, networks, organisations and companies, etc.) engaged in related activities will also receive support via SWENTEC.
- Sweden will produce a national plan for the implementation of the EU's action plan for environmental technology – Environmental Technologies Action Plan ((ETAP) – during the autumn of 2005.
- In June 2005, the Governments in Sweden and Great Britain launched a joint initiative for improvements to a sustainable construction and housing sector. A joint web site has been set up (<http://www.ukswedensustainability.org>).

Effective policy instruments

There is a need for the further development of policy instruments that stimulate stakeholders and promote initiatives for sustainable consumption and production patterns. Economic instruments such as environmental taxes, fees and emissions trading are particularly important, although other market-based instruments, as well as legislation, physical planning and research and development, must also be used.

- The climate investment programmes extend to SEK 1.04 billion for the period from 2002 to 2006 and are intended, on the one hand, to reduce emissions of greenhouse gases and to contribute to the transition to alternative sources of energy and, on the other hand, to save energy by encouraging municipalities, companies and other local and regional players to make long-term investments. The Government assesses that the investment programmes have been and will continue to be an important complement to other economic instruments in the environmental field. The Government has accordingly proposed that the climate investment programme be extended to 2008, and that an additional SEK 840 million be allocated for the period from 2006 to 2008.
- The Government intends to appoint a commission of inquiry on economic instruments in environmental policy to analyse and evaluate the economic instruments that are used in Swedish environmental policy today. Based on the results of the evaluation, the Commission may propose new or adapted economic instruments to improve environmental policy.
- A national action plan for green public procurement in Sweden is under development. Target groups are public procurement officers, politicians and other relevant players. The aim is to achieve commitment at high level, to create incentives and to achieve maximum use of the Internet-based tool for environmentally compatible public procurement. This tool will undergo further

development. The Government will also increase the level of financial support to the Swedish Environmental Management Council, the organisation that manages the tool. In the course of harmonising Swedish legislation on public procurement with the EC's recently revised Directives, the Government is investigating the possibility of strengthening its legislation and requiring public procurement officers also to consider environmental criteria.

- The Government has initiated two dialogues – "Building and Living" and "Tomorrow's Grocery Market" – with the relevant stakeholders. The aim of the first dialogue, in which the National Board of Housing, Building and Planning, the industry and the municipalities are involved, is the more efficient use of energy and resources, a good indoor environment and sound choices of materials. The aim of "Tomorrow's Grocery Market", in which the Environmental Protection Agency, the industry and the municipalities are involved, among others, is a sustainable trade in everyday commodities. This dialogue focuses on logistics, e-commerce and the content and manufacture of products.
- Global responsibility, the Swedish Partnership for Global Responsibility, an initiative launched by the Swedish Prime Minister, has three objectives: to uphold human rights and the principles of sustainable development, to strengthen the competitiveness of Swedish companies and to encourage Swedish companies to adhere to OECD guidelines and the Global Compact principles.
- In the Research bill to Parliament for 2005¹¹, the Government accounted for increased funding on research into the environment and sustainable development with SEK 210 million in the period from 2005 to 2008 in order to support innovation and new jobs.

Eco-management – non-toxic and resource-saving ecocycles

Environmentally sustainable ecocycles can only be achieved if most of the waste can be recycled and reused. This permits savings in both raw materials and energy and, at the same time, a reduction in the environmental problems associated with waste. The legislation on producer responsibility and the prohibition on the landfill dumping of combustible and organic waste are part of the Government's work in this area.

- A strategy for non-toxic and resource-saving ecocycles for products and materials was decided by the Swedish Parliament in 2001, and this has since been developed further in 2003 and 2005. The strategy includes changed consumption patterns, more efficient production methods and a system for waste disposal that is more geared to recycling. The strategy contains a wide range of measures, including waste management policy and chemicals policy.

New initiatives taken by the Government include measures to identify and deal with dangerous substances in fish and the ecosystems, statistics on material flows and an action plan for pesticides. Other initiatives

¹¹ Prop 2004/2005:80.

include information on chemicals in products, information about the effect of products on the environment and guidelines on the use of waste for construction purposes, as well as enhanced requirements for the use of sewage sludge on agricultural land and the development of new technology in sewage treatment works. The Government is considering further economic instruments to promote recycling.

- One proposal announced in the Budget bill to Parliament for 2006 is to raise the tax on waste sent for landfill dumping and to introduce a tax on the fossil part of waste that is incinerated from January 2006.

Development assistance in the environmental field

An additional SEK 330 million of the increased development assistance budget will be dedicated to action in the environmental field during 2006. Initiatives will be taken in areas where Sweden has well-developed know-how and can make a valuable contribution. The aim is to interweave solidarity, gender equality, ecological considerations and economic growth both in Sweden and in countries with which Sweden cooperates. Special fields of interest are renewable energy and climate, water and sanitation, chemicals safety, sustainable use of natural resources and protection of the environment and sustainable urbanisation.

Biodiversity, growth and employment

Nature's attractiveness to people is a precondition for ecotourism, a growing industry in Sweden. An ecosystem in balance, including a diverse flora and fauna, provides the basis for experience-based leisure activities. Access to nature also plays an important role in Sweden's public health efforts. Measures to strengthen a bio-based economy are essential for rural development, since this includes forestry, agriculture and fisheries.

- Besides international agreements including commitments to halt the depletion of biodiversity, Sweden decided in 2002 in favour of a national strategy where the sustainable management of natural resources and the conservation of biodiversity will attract high priority.
- The Government decided in June 2005 in favour of a national strategy for the marine environment.

3.5 Guideline 12 – Extending and deepening the internal market

The prosperity of Europe depends greatly on its ability to derive full benefit from the economic advantages of the internal market. The enlargement of the internal market to include sectors such as telecommunications, energy and financial services is one of the most important successes of the Lisbon strategy. The next important step in this process will be a common set of rules for cross-border trade in

services, without jeopardising the social welfare systems or the effectively functioning labour market system in Member States. As far as Sweden is concerned, it is particularly important to preserve the current system with its collective agreements.

Focus on application, enforcement and implementation

Today's internal market is extensively regulated, however, and focus in the future must be on application, enforcement and implementation. Much needs to be done at a national level to remove barriers and facilitate cross-border trade. The Government will adopt a number of measures for this purpose:

- An inventory of the legislation affected by the Services Directive will be initiated, and national rules will be screened and revised to promote a more effective market for services.
- With regard to market surveillance, stricter application with clear obligations will be imposed in the coming years. The relevant authorities' responsibility for the CE mark will be clarified. Measures to streamline the enforcement and application of internal market legislation, and to improve relevant information, have been investigated, and the work will continue. A national conference on the internal market was held in October 2005.
- A screening exercise will be initiated concerning the free movement of goods and the application of the principle of mutual recognition in non-harmonised areas.
- The possibility of applying a model similar to the certification system in EC legislation on goods (the New Approach) in relation to national non-harmonised legislation will be investigated.
- A national strategy for standardisation will be prepared in consultation with the stakeholders. National coordination needs to be improved, and actions will be taken to increase the understanding of the importance of standardisation.
- It must be made even easier for Swedish businesses to participate in cross-border public procurement. It is also desirable to encourage foreign companies to participate in Swedish public procurement.
- Sweden is putting together a new strategy for consumer policy that will encourage sustainable economic growth and welfare. The spotlight will be on, among other things, consumer interest within the services sector, and ways of finding out more about consumer and market behaviour.

3.6 Guideline 13 – Ensuring open and competitive markets inside and outside Europe

Sweden has benefited from increased globalisation through a high proportion of open and well-functioning markets. A more open external trade has contributed to structural changes, increased competition and thus growth. Sweden was one of the first countries to open up its former

monopolies to competition, for example financial markets, telecom, electricity, postal, domestic aviation, taxi and rail transport markets, and many European companies have entered the Swedish market as a result. However, the fact that some other Member States still have non-liberalised markets means that parts of the European market remain closed to Swedish companies, which creates an imbalance.

The Government's general policy is to use state aid restrictively. The aid granted is predominantly of a horizontal nature concerning the environment, smaller companies, R&D and regional aid in sparsely populated areas of Sweden. Such measures are targeted at market failures and are intended to smooth out regional imbalances.

Well-functioning markets

In 2005, a commission of inquiry appointed by the Government presented a detailed study of the long-term effects of the regulatory reforms on some of the liberalised markets on consumers, business, the labour market and the economy in different parts of Sweden. The Commission found that liberalisation has brought many advantages, but that there are still problems left to be solved. The Commission presented proposals for new legislation and highlighted a number of areas where further analysis is required. The main challenge for the future is to strengthen the role of consumers, particularly by providing them with better information and advice, so that they can make well-informed choices and have access to well-functioning dispute resolution systems.

There are many state-owned companies whose activities include both services of general interest and purely commercial activities in the market.

- The Government has given the Swedish Competition Authority the task of monitoring the market in line with new legislation following the implementation of the Transparency Directive (80/723/EEG) by Sweden. This will serve as a tool for monitoring possible state subsidies.

Strengthening competition legislation

The Government has recently taken a number of measures to ensure better enforcement of the Competition Act.

- New rules came into force in 2005, which increase the right to damages, inter alia for consumers, if a company breaches the Competition Act. The Swedish competition authorities will also be given greater investigative powers.
- A problem in many competition cases has been the extended time frame before the courts finally decide a case. The Government appointed a commission of inquiry in September 2004 with the mission to improve the efficiency of the procedure. One important task is to investigate whether the number of court instances can be decreased in order to speed up the process and, at the same time, to analyse whether the Swedish Competition Authority should be given the powers to determine administrative fines. The Government is also

examining the opportunities for criminalizing actions that are in breach of the Competition Act as an addition to the present administrative fines.

Public procurement

- The Government will continue with a correct and timely implementation of the Public Procurement Directive and with its work on a national action plan for electronic procurement.
- A commission of inquiry¹² has submitted a proposal in respect of how the EC Directives on public procurement must be embodied in Swedish legislation. The Committee will also carry out a general review of the rules concerning procurement below the threshold values and the procurement of B-services and will examine the opportunities for introducing a preclusion time limit in order to reduce the scope for reconsideration with a view to creating a more efficient procurement process and simplifying these rules.

3.7 Guideline 14 – Creating a more competitive business environment and encouraging private initiatives through better regulation

A high-quality body of regulations

A body of regulations of high quality is an important goal for Government policy, as it provides a stable and level playing field for companies thereby contributing to growth, welfare and competitiveness. In 2004, Sweden received a recommendation from the Council, within the framework of the European Employment Strategy, to encourage the development of SMEs, in particular by reducing the administrative burden. The starting point for the Government's improved body of regulations is to simplify the everyday business environment by reviewing and examining all proposals for new and changed regulations with the proportionate use of impact analyses.

- To reduce the administrative burden on business, the Government launched a rolling action programme in December 2004 with the aim of simplifying the existing body of regulations. This comprises 291 measures to be completed by September 2006. It has been decided that the programme will be supplemented with additional measures at the time of the annual review. One important example among many is the Swedish Annual Reports Law, which will be amended and simplified in order to reduce the administrative burden on Swedish companies. The Government is also examining possible reforms of laws and regulations for the administration of taxation for the same purpose.

¹² Dir. 2005:39.

- In order to set targets for a reduction in the burden on companies, the Government has decided to measure the administrative burden on companies. Measurements of important bodies of regulations will take place in 2004–2006 and will include tax, labour market and environmental regulations (including agricultural regulations). These account for approximately 65 per cent of the total burden on companies. As far as tax legislation is concerned, a target has been set for a reduction of 20 per cent in the administrative burden by the year 2010. Ambitious targets, to be reached by 2010, will be drawn up in May 2006 as measurements are completed for all areas.

The number of start-up businesses in Sweden increased by 14 per cent between 2003 and 2004, although this remains low by international standards (see also Guideline 21). The national target for the registration period for companies is a maximum of seven working days. The voluntary registration of a sole proprietorship can be done directly on the Internet. From 2006 it will be possible to register limited liability companies on the Internet.

The Government Offices are currently working on an improved system of impact analyses and a more coherent approach to the quality of regulations. The results will be presented at the end of 2005.

3.8 Guideline 15 – Promoting a more entrepreneurial culture and create a supportive environment for SMEs

Increasing access to capital

Access to finance is an important prerequisite for the establishment and development of enterprises. A sound business environment and clearly defined rules of the game are essential requirements if small and large companies are to engage in competitive activity. A commonly encountered problem, however, is the lack of capital at an early stage. To facilitate the establishment of new businesses, the Government has taken measures to increase access to capital for both newly started and established businesses.

- Measures to improve the opportunities for reconstructing companies and avoiding bankruptcies have been taken. The Government intends to launch further measures in this area in the near future.
- The reorganisation and reform of the public providers of risk capital has strengthened and simplified access by companies to finance at an early stage.

A tax system promoting growth

The tax system is of considerable importance for entrepreneurship and enterprise. The Government has launched and will launch various measures in this area:

- Inheritance and gift tax was abolished from 1 January 2005. As a result, non-listed companies can be transferred to the next generation free of taxation.
- To further encourage the transfer of businesses, the Government has started a programme aimed at owners of businesses who are approaching retirement age. The programme provides information, advice and tools for transfer and succession, provides meeting places for vendors and purchasers and promotes the development of new financial instruments.
- New rules governing the taxation of dividends and capital gains in closely held companies will enter into force in January 2006. The changes relate to tax incentives totalling approximately SEK 1 billion and will improve conditions for entrepreneurs who work in their own business and for investments in closely held companies.

Promoting innovative SMEs

The Government has introduced a number of measures to encourage SMEs and strengthen their potential for innovation:

- A new Companies Act will enter into force on 1 January 2006. One of the guiding principles for this reform is to provide Swedish companies with a flexible and competitive legal framework. With this in mind, a number of limitations in the present legislation concerning the use of financial instruments have been abolished. Another underlying theme is to promote long-term and active ownership.
- The Government is proposing new aid for research in SMEs. During 2006, this aid will amount to SEK 100 million. The Agency for Innovation Systems (VINNOVA) will consult with the National Board for Industrial and Technical Development (NUTEK) on the question of the more detailed application of these funds. From 2007 until 2010, the aid will amount to SEK 200 million annually and will be given in the form of a credit to the recipient's tax account. These initiatives will amount to SEK 900 million in total between 2006 and 2010.
- To create positive attitudes towards entrepreneurship and to promote increased entrepreneurship in society, the Government has extended an ongoing national entrepreneurship programme with the focus on young people until 2007. The aim of the programme is to increase interest in and knowledge of entrepreneurship in primary and secondary schools, as well as in the universities. The programme is also intended to contribute to increased qualifications among study and career counsellors, teachers, advisers and economic development officers.
- If SMEs are to integrate environmental issues into their business strategy, broader and deeper knowledge of these questions will be required. A national programme, Environment-driven Business Development, in which 350 SMEs are participating, is currently running. The programme is led by NUTEK. Tools, methods and products developed by the programme will be documented and disseminated.

- In recent years, the Government has made investments in design and environmental technology to boost competitiveness and the potential for innovation in the business sector.
- A national centre for environment-driven business development and the export of environmental technology has been set up to coordinate activities to promote the introduction of new, and the dissemination of existing environmental technology.
- The Government has commissioned NUTEK to propose a programme for the development of IT skills in SMEs. The programme will be designed with reference to the proposals contained in a study undertaken by NUTEK on the future need for IT skills. The study was based on experiences gained from earlier, IT skills-related programmes. The overall aim of the programme proposal is to develop competitiveness in Swedish companies.
- A new product development programme targeted at with small companies has started. NUTEK has responsibility for implementation of the programme.

3.9 Guideline 16 – Expanding and linking up the European infrastructure

Congestion, capacity problems and negative effects on the environment are well known infrastructure problems in Sweden and the whole of Europe. In Sweden, the decision has been taken for a long-term planning framework for the transport infrastructure for the period between 2004 and 2015 with a strong focus on investments in the railways.

The relatively high logistical cost, due to the large geographical distances compared with other EU countries, means that the Swedish business sector is dependent to a high degree on efficient transport if it is to compete with companies in other countries. As in most EU countries, the railways have gradually lost market share for freight transport over the last few decades, in spite of the rapid growth in freight volumes. The railways have lost market share above all for freight with a high added value – product groups that have grown strongly in recent years. A significant part of the increase has been transported by lorry.

Efficient and appropriately priced transport chains are a prerequisite for the success of our export industry in the face of international competition. That is why it is important to work continuously for efficient transport chains and to strive to achieve a harmonised pricing system in the EU.

Sweden's priorities for a trans-European transport network (TEN-T) are based on our priorities in the long-term planning framework for the transport infrastructure in the period 2004–2015. The plan is financed mainly from the national budget. Alternative financing, predominantly in the form of loans, is applied to priority projects. The Swedish priority project in TEN-T is the Nordic Triangle, which links the major Nordic cities to the rest of Europe. A number of railways and roads in the Nordic Triangle are priority projects now and in the years to come.

A trial with congestion tax will be introduced in Stockholm to manage traffic volumes and create greater accessibility during busy parts of the day. A charge will be collected when a vehicle enters and leaves the designated zone (Stockholm inner city). The trial will be completed on 31 June 2006. After a referendum in Stockholm in the autumn of 2006, Parliament will decide whether the congestion tax will continue to apply.

4 Employment policy

A high level of labour market participation among the working age population and a large number of total hours worked in the economy are prerequisites for the Swedish model of a comprehensive welfare state. Although Sweden has a high employment rate compared with other European countries and meets the Lisbon targets by a sizeable margin, the situation will require further improvement not least to meet future demographic challenges. While the objectives are national, existing regional differences must also be taken into consideration.

National employment targets

The Swedish Government has set a number of quantitative employment policy targets. The long-term aim is full employment. Intermediate objectives are to reduce the unemployment rate to 4 per cent and to increase the regular employment rate to 80 per cent in the 20-64 age group¹³. Despite growth having remained at a comparatively high level in recent years, employment has fallen and unemployment has increased. Growth is thus the result of a high productivity growth. The employment target was not met in 2004, but it has been retained and should be reached as soon as possible. Some of the main challenges are to reduce the number of long-term unemployed and to make it easier for both men and women to join and re-enter the labour market. This is especially important for groups with comparatively low employment rates, for example occupationally disabled, youth and men and women with a foreign background.

A top-priority target is to cut absences from the labour market due to sick leave by half by 2008 compared with the levels during 2002 and, at the same time, to reduce the number of additional sickness and activity compensation cases. After several years characterised by a high number of days with entitlement to sickness allowance, trends changed in 2003. The level has continued to fall, although regional differences remain.

The Government's target for social equity was set in 2001. It aims to reduce the number of men and women in need of social assistance¹⁴ by half from 1999 to 2004. The target was not met in 2004, but it has been retained and should be reached as soon as possible. This will be achieved mainly through increased employment in groups with a low employment rates.

The social partners play a central role in the Swedish labour market, not least when it comes to facilitating restructuring and adaptability for employees and companies. A well functioning dialogue on wages and labour law, etc., in combination with an active labour market policy and

¹³ The number of men and women in employment in the 20–64 age group, apart from persons on career break, receiving start-up grants or participating in labour market measures with salary entitlement, as a proportion of the entire population in the same age group.

¹⁴ In terms of whole-year equivalents.

social insurance, helps both employers and employees to meet and embrace change while adapting to the challenges posed by globalisation.

Human capital is a strategically important resource for the development of the Swedish economy. Education policy is targeted at quality in the education system, the personal development of the individual and creating conditions for life-long learning for all. Education provides the necessary conditions for creating competitive job opportunities, increased productivity and individuals who are better equipped to adapt to the needs of the labour market.

Sweden meets the educational benchmarks that have been set at European level. A national long-term objective is for half of a given age cohort to begin higher education by the age of 25 years. Sweden also actively participates in the follow-up of the common objectives for the European education systems established by the EU Ministers of Education.

Sweden is also aiming at reaching the targets set in the European Youth Pact, by increasing, among other things, the youth perspective in all relevant areas in implementing the European Employment Strategy.

Targets of the European Employment Strategy and the outcome for Sweden

The targets and benchmarks below are an agreed part of the 2003 European Employment Strategy. For 2004, Sweden had already reached all but one of these at the national level.

The target that every unemployed person is offered a new start before reaching 6 months of unemployment in the case of young people and 12 months in the case of adults in the form of training, retraining, work practice, a job or other employability measure, combined where appropriate with ongoing job search assistance.

A total of 11.4 per cent of adult men and 8.7 per cent of adult women had not received a new start in 2004. For young men, the proportion was 6.3 per cent and for young women 4.4 per cent.¹⁵

The target that 25 per cent of the long-term unemployed by 2010 should participate in an active measure in the form of training, retraining, work practice, a job or other employability measure, with the aim of achieving the average of the three most advanced Member States.

A total of 63.9 per cent of the men and 63.7 per cent of the women participated in an active measure of some kind in 2004.¹⁶

The target that jobseekers throughout the EU are able to consult all job vacancies advertised through Member States' employment services.

All vacancies in Sweden were advertised through the EURES system in 2004.

The target of an increase, at EU level, in the effective average exit age from the labour market of five years by 2010 (compared with 59.9 in 2001).

The effective average exit age from the labour market was 63.1 years in 2003 compared with 61.7 years in 2001, an increase of 1.4 years.

¹⁵ National Labour Market Board.

¹⁶ National Labour Market Board.

The target the provision of child care by 2010 to at least 90 per cent of all children between 3 years old and the mandatory school age and at least 33 per cent of all children under 3 years old.

A total of 83.0 per cent of all children aged from 1-5 (74.4 per cent of all children from 1-3 and 96.1 per cent of all children from 4-5) were enrolled in a preschool or family day-care home in 2004.¹⁷

The target an EU average rate of no more than 10 per cent of early school leavers.

In 2004, 7.9 per cent of young women and 9.3 per cent of young men aged 18–24 had completed compulsory education (ISCED level 2) or less and were no longer in education.

The target of at least 85 per cent of 22-year-olds in the EU should have completed upper secondary education by 2010.

A total of 87.6 per cent of 22-year-old women and 85.1 per cent of 22-year-old men had completed upper secondary education in 2004.

The target that the EU average level of participation in lifelong learning should be at least 12.5 per cent of the adult working-age population (25–64 age group).

In 2004, the proportion of men and women aged 25–64 who had participated in some form of education in the previous four weeks was 31.5 per cent and 40.3 per cent respectively.

4.1 Guideline 17 – Achieving full employment, improving quality and productivity at work and strengthening social and territorial cohesion

The overarching objectives of the European Employment Strategy are full employment, higher quality and productivity at work and strengthened social and territorial cohesion. These objectives should be reflected in clear priorities: to attract and retain more people on the labour market, increase labour supply and modernise social security systems; to improve adaptability of workers and enterprises; and to increase investments in human capital through better education and skills. Separate Guidelines 18-24 describe in more detail the various measures adopted in Sweden to achieve the overarching objectives in line with the priorities set at EU level.

Sweden received four recommendations¹⁸ relating to Guidelines 18-24 from the Council in 2004 for the implementation of employment policy:

- Address the rising number of people on long-term sick leave by promoting work-oriented solutions and improving conditions of work (Guidelines 18 and 21).
- Eliminate remaining unemployment and inactivity traps (Guidelines 19 and 22).
- Closely monitor the results of actions to integrate immigrants into the labour force (Guideline 19).

¹⁷ National Agency for Education.

¹⁸ Sweden also received a fifth recommendation, although this no longer needs to be taken up under the employment guidelines. This recommendation and the follow-up measures that have been adopted are described under Guidelines 14 and 15 in Chapter 3.

- Reduce early school-leaving and increase access to training for the low-skilled and the inactive; review education and training policy to address the issue of emerging bottlenecks and skills mismatches in low- and medium-skilled sectors (Guidelines 18, 19, 20, 23 and 24).

The Council adopted the same recommendations for 2005.

Full employment

One of the main priorities for the Government is to bring more men and women into work. Sweden has already exceeded the joint EU employment targets for 2010.

Table 5. EU employment target and outcome for Sweden, 2004, per cent

	Total	Men	Women	Age 55–64
Employment rate, 15–64 years	72.1	73.6	70.5	69.1
EU target 2010	70.0		60.0	50.0

Source: Eurostat.

Trends in the labour market were poorer than expected in 2004 against a background of strong economic growth. The intermediate national target of ensuring that 80 per cent of the 20-64 age group are in regular employment has not been met, and efforts to reach the target must be intensified. Regional differences still exist within the country. A few counties are meeting the national target, while the level of employment in some other counties are 10 percentage points below target. The Government's intermediate objective of cutting unemployment to 4 per cent – according to the Swedish definition of unemployment – was not met in 2004. Current forecasts point to unemployment of 4.8 per cent in 2006.¹⁹ Broken down by regions, it emerges that only one of 21 counties had an unemployment rate below 4 per cent in 2004. In two counties, unemployment was under 4 per cent for either women or men.

Table 6. National employment and unemployment targets and outcomes, 2004, per cent

	Total	Men	Women
Regular employment rate, 20–64 years	77.0		
National employment target	80.0		
Unemployment, 16–64 years	5.5	5.9	5.1
Unemployment (ILO definition)	6.3	6.5	6.1
National unemployment target	4.0		

Source: Labour Force Survey, Statistics Sweden and Eurostat.

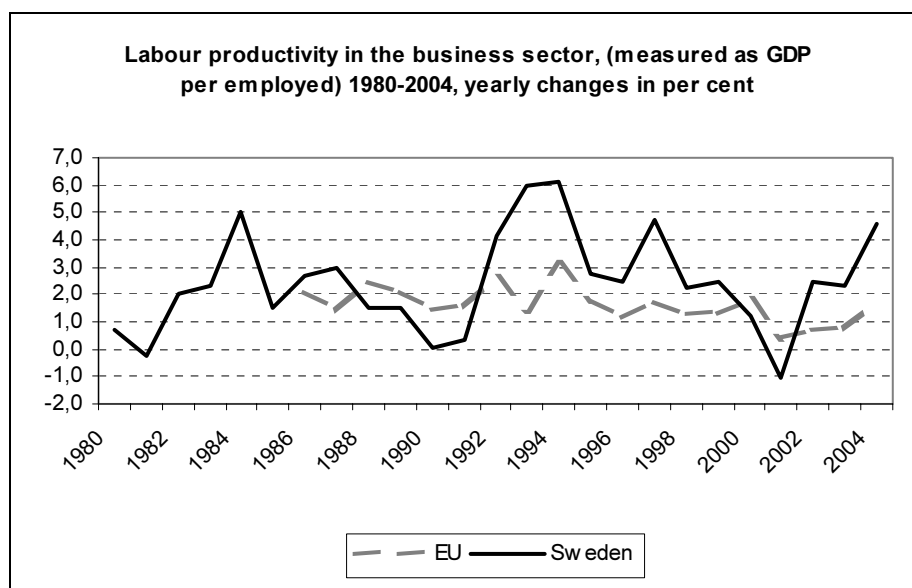
In order to increase employment and reduce unemployment, additional resources have been allocated for labour market policy initiatives; changes have been made to the health insurance system, and measures for young unemployed and for men and women with a foreign

¹⁹ Equivalent to ca 4.3 per cent according to the previous definition in the Labour Force Survey.

background have been intensified. The Government is also proposing a two-year employment package starting in January 2006, which, among other things, will offer an additional 55,000 men and women – equivalent to 1.2 per cent of the workforce – the opportunity to find a job or to improve their skills during 2006 and 2007. The bulk of the investment comes under labour market policy and will increase the possibilities for unemployed to participate in labour market policy initiatives, including through subsidised employment on the regular labour market.

Productivity and quality in work

Productivity trends in Sweden have been relatively favourable for a couple of years. The upward trend in productivity in recent years is due to higher production and increased use of information and communication technology as well as stronger international and domestic competition, stemming partly from structural reforms in the early 1990s. Productivity growth is expected to slow down over the next ten years, although the trend will still be favourable from an historical point of view.²⁰



Source: OECD

Quality in work and productivity are mutually dependent. Quality in work includes both health and safety at work and skills development at the workplace and emphasises the correlation between working conditions on the one hand and competitiveness and growth on the other. The Government has adopted a number of initiatives for additional improvements in working conditions, including information campaigns, a review of the legislation and the establishment of a Work Environment Council.

²⁰ Forecast from the National Institute of Economic Research.

Social cohesion

More and better jobs are crucial for reduced social differences. Gender equality, a universal and individual social insurance system, a generous parental leave scheme and childcare facilities for all preschool and school children, as well as good educational facilities, are important principles for stimulating employment and resulting greater social involvement and cohesion. One of a number of initiatives on the part of the Government is the commission of inquiry into the social assistance system with the focus on facilitating entry into the labour market for unemployed men and women who live on social welfare benefits (see Guideline 19).

Access to communications, buildings, etc., is a prerequisite for men and women with disabilities to participate in social and working life. In January 2006, the government will set up a new state agency to coordinate disability policy. The intention is for the national action plan for disability policy dating from 2000 to be implemented more effectively in all sectors of society.

The municipalities and county councils play a central role in the Swedish welfare system, as it is they who bear responsibility for services such as child care, basic education, health care, care of the elderly and support for men and women with disabilities. In order to improve welfare provision and meet future commitments arising from an ageing population, general and targeted support to the municipalities, including support for employment, are being increased.

Enterprises in the social economy can play an important role in the work of integrating vulnerable groups both into society and into working life. These enterprises enable the transition from passive maintenance support to rehabilitation, training and work in an effective way, drawing on entrepreneurship, which develops new business areas and new activities. In this way, they are able to contribute both to economic growth and to increased employment. Within the context of the Equal project, Social enterprise, a proposal for an action plan has been drawn up with the aim of improving the conditions for social enterprise. Social enterprises, advisors, welfare organisations, the National Board for Industrial and Technical Development (NUTEK) and the ESF Council are working together in the project.

Territorial cohesion

The overall objectives for Swedish regional development policy within the employment area are well-functioning and sustainable local labour market regions with a satisfactory level of service in all parts of the country. An ageing population and urban migration have led to an unfavourable age structure and a natural decline in the population in many regions. Some regions are also highly dependent on large manufacturing companies, leaving them vulnerable to corporate restructuring. This is particularly true if the workforce does not have the necessary skills to respond to changed needs in the labour market. This makes it desirable to have coordination between different sectors and regional considerations in certain policy areas.

EU cohesion policy and its instruments interact with Sweden's national regional development policy. Funding from these instruments is used for joint financing of measures within the Swedish regional growth programmes, with a view to strengthening the preconditions for the business sector in the regions. The regional partnerships for the regional growth programmes²¹ and for the structural funds take decisions about, and finance initiatives to boost the labour supply and to increase competence in the various regions. The structural fund programmes in Sweden are an important source of joint financing for the regional growth programmes. Support for action programmes aimed at full employment is provided through the various measures in Objective 3. These measures permit a preventive approach, both through skills development for men and women already in work and by increasing the opportunities for men and women who are unemployed or on long-term sick leave to join or re-enter the labour market.

4.2 Guideline 18 – Promoting a lifecycle approach to work

A government priority is to enable all men and women to participate in the labour market. Labour force participation in Sweden is high compared with the level in other Member States: 75.7 per cent for women and 79.7 per cent for men in 2004.²² In order to be able to meet the future challenges of an ageing population, however, the labour supply and the total number of hours worked in the economy need to increase even more.

- A special task force has been appointed to analyse and propose ways of increasing the total labour supply, especially among youth, men and women with a foreign background and older men and women (61–64 years). The task force will make its recommendations before the end of 2005.

Policy measures for youth

Unemployment among young people is significantly higher than among adults for both men and women. The unemployment duration is shorter for young men and women, however. Young unemployed are guaranteed an activity no later than 100 days after registering as job-seekers with the employment service. The priorities called for in the European Youth Pact are very much in line with Sweden's national youth policy. A series of new measures targeted at youth have been introduced.

²¹ The regional partnerships for the regional growth programmes are cross-sectional, and their composition is intended to reflect the different groupings that are working actively for sustainable growth. The private, public (including government agencies) and non-profit sectors shall be represented in the partnership. Government institutions financed at the national level with regional representation, e.g. universities, county labour boards and regional ESF councils, shall also be represented.

²² Employed or unemployed persons aged 16–64 years. Labour Force Survey, Statistics Sweden.

- From 2005, recruitment incentives for long-term unemployed youth can be paid after only six months' unemployment, instead of the previous twelve months. This arrangement is proposed to continue in 2006.
- Job-seekers' activities and vocational guidance are now an integral part of the youth measures, i.e. the youth guarantee and the municipal youth programme, and should be an initial measure. Individual action plans must be drawn up within 14 days of first registering with the employment service.
- A national coordinator has been appointed to explore the opportunities for the social partners to enter into agreements that facilitate joining the labour market for young men and women and to develop appropriate methods.
- Trainee places for young men and women, a combination of on-the-job training and the study of vocational subjects or core subjects, will be introduced in 2006 and 2007.
- An initiative has been adopted for 2005 and 2006 to offer long-term unemployed young men and women, who have previously been unsuccessful in their studies, the opportunity to study at a folk high school. The aim is to motivate long-term unemployed young people to complete their upper secondary education.
- In 2006, the Government will make additional financial support available to the municipalities to provide summer jobs for young men and women.
- Financial support has been channelled into local, non-governmental initiatives for the development of new forms of co-operation between the employment service, social services, schools, the local business community and society in general.

Equal opportunities for men and women

The employment rate for women in Sweden is among the highest in the EU. In spite of this, gender equality in the labour market is still a long way off. A number of important gender-related differences remain, for example regarding working conditions, income, sickness absence and career opportunities. If employment opportunities for women are to be increased, gender equality must gain ground in the home, on the labour market and in society in general.

- More men than women have an income that exceeds the ceiling for parental benefits. The Government intends to submit a proposal to increase the ceiling from July 2006, with the aim to encourage men to take advantage of their entitlement to parental leave and to assume more practical responsibility for the home and family.²³
- Commission of inquiry into parental benefits²⁴ presented its report in September 2005, which among other things discusses how parental insurance affects both parents' possibilities to take responsibility for

²³ The parent who remains at home with the child receives 80 per cent of her/his income up to a certain ceiling. The ceiling is currently 295 500 kronor per year, and it is proposed to increase it to 349 000 kronor per year.

²⁴ SOU 2005:73

the child, and partly how it affects the parents' prospects to participate in the labour market on equal terms. The report is currently being considered by the Government.

Child care, i.e. pre-school and after-school facilities, are important means of stimulating employment and should be affordable to parents, readily accessible and of high quality.

- The Institute for Labour Market Policy Evaluation (IFAU) has been commissioned to investigate the effects of the maximum fee for childcare on the parents' participation in the labour market. If possible, the effect of parents on the labour supply will also be evaluated. A preliminary report on the short-term effects will be presented in December 2005. The final report, which concerns itself in particular with the long-term effects, will be presented in January 2007.

A prolonged working life

The Swedish public pension system encourages men and women to work longer by applying the lifetime income principle as the basis for future pension benefits and by offering them the opportunity to continue working until age 67 (see Guideline 2). Alongside the public pension system, occupational pension schemes may also affect the labour supply.

- A commission of inquiry²⁵ has been set up to review the tax regulations on occupational and private pension schemes by December 2006 with a view to extending working life.

Reducing sick leave

The Government has adopted a number of measures in order to meet its target of cutting absence from work due to sick leave by half by 2008 compared with the level during 2002, while simultaneously reducing the number of additional sickness and activity compensation cases. Among other things, the Government has imposed a co-financing responsibility on employers to meet the cost of sickness benefit for their employees and has established a new, central agency for the administration of social insurance (the Social Insurance Office)²⁶. The number of days of sickness allowance has up until today decreased in line with what is required in order to meet the national target. Women are, however, still over-represented among persons on sick leave.²⁷ It is too early to draw any definitive conclusions about the impact of all the measures that have been implemented, although the Government assesses that the prospects for achieving the target are good. Further measures will be taken to reduce absence due to sickness, not least to facilitate rehabilitation and increase the opportunities for men and women on sick leave to change jobs.

²⁵ Dir. 2004:99

²⁶ See Swedish Action Plan for Employment 2004.

²⁷ In March 2005, 63.6 per cent of persons on sick leave were women.

- A working group has recently been set up in the Government Offices with the task to follow-up and evaluate the effects of the reform regarding employers' co-financing responsibility of sickness benefit.
- The Government intends to introduce a special subsidy for the health sector aimed at encouraging the county councils to adopt active measures to reduce absence due to sickness among residents in the respective county.
- A commission of inquiry²⁸ has been appointed to analyse the responsibility of employers in the rehabilitation process and the obligation on the employee in receipt of sickness benefit to participate in this.
- Cooperation between the National Labour Market Board (AMS) and the Social Insurance Office to help unemployed on long-term sick leave to find work has been developed continuously. The Government also proposes that rehabilitation measures and wage subsidies can be used to facilitate re-entry into working life for employed men and women who have been on sick leave and need to change jobs.
- Financial coordination in the rehabilitation area entered into force in January 2004. Measures have since been adopted in different regions to coordinate rehabilitation through the establishment of voluntary associations between the Social Insurance Office, the County Labour Board, the County Council and one or more municipalities. The Social Insurance Office expects to see an increase in this voluntary coordination in the coming years.
- Since January 2005, the Social Insurance Office is required at least once every three years to conduct a further assessment of the capacity to work of all men and women who have been awarded sickness benefit on a more permanent basis.
- The Government will propose an amendment to the law allowing men and women who have been in receipt of sickness or activity compensation for at least one year to study for a period not exceeding two years, during which time their entitlement to receive sickness or activity compensation will remain dormant.
- The Government has proposed that a review will be carried out of men and women who have been absent from work due to sickness for more than two years or have been awarded sickness activity compensation for a limited period. The purpose is to reassess all such cases partly in order to ensure that rehabilitation or other measures are being taken to facilitate the beneficiary's return to the labour market, and partly to verify that the correct benefit is being awarded. The initiative will be introduced progressively, starting as a pilot project in one region. The intention is to extend the measure to all other regions of the country.
- It has emerged that similar cases of sickness are sometimes handled differently by the Social Insurance Office, depending on whether the recipient is a man or a woman. The Social Insurance Office has been requested to draw up a plan for the incorporation of a gender perspective into the application of sickness insurance.

²⁸ Dir. 2005:48

- A commission of inquiry²⁹ has been appointed to analyse the social insurance arrangements. The analysis will show how efficiently the social insurances function and reveal any shortcomings and merits, as well as any socio-economic and welfare effects. Particular emphasis will be placed on questions relating to ill-health. Various ways of improving the system will also be presented. The report will be submitted no later than November 2006.
- The health care sector has a role to play in contributing to reduce absence due to ill health. A health care guarantee that treatment in the public health care system will be provided within 90 days will be introduced in the autumn of 2005.
- The Government announces that the ceiling for sickness insurance will be raised to ten price base amounts³⁰ from 1 July 2006.
- The agencies concerned will be asked to draw up proposals for a more quality-assured, uniform and equitable process for notifying absence due to sickness. The process should be designed so that the primacy of work principle is favoured.

4.3 Guideline 19 – Ensuring inclusive labour markets, enhancing work attractiveness and making work pay for job-seekers, including disadvantaged people and the inactive

In order to be able to meet its overall objective of full employment, the Government has identified certain groups that will be given priority when taking further measures aimed at increasing employment. These are the long-term unemployed, the long-term sick, occupationally disabled, the young unemployed, older men and women, and men and women with a foreign background.

Active labour market measures

During the spring of 2005, the National Labour Market Board (AMS) received additional resources for the expansion of labour market policy measures, in particular recruitment incentives. A major effort will also be made in 2006 and 2007 as part of the employment package proposed by the Government.

- As of January 2006, an enhanced form of employment subsidy, known as “Plusjobb”, will be made available for 20,000 long-term unemployed men and women³¹. The measure is targeted at quality-improving work in the public sector in order to minimize displacement effects. The employer will receive a subsidy of 100 per cent of the wage cost up to a specified ceiling.

²⁹ Dir. 2004:129

³⁰ This equals 397 000 kronor in 2006.

³¹ Persons who have been registered as unemployed for more than two years without an interruption of more than six months due to employment or deregistration for some other reason.

- Additional experience of working life and contacts in the labour market acquired through an employment subsidy have proved to be more important than the length of the subsidy. It has accordingly been reduced from 24 to 18 months as of July 2005. This has freed up resources so that the employment subsidy can now benefit more men and women.
- The Government will introduce a temporary replacement trainee scheme in 2006 and 2007. The scheme will enable the public sector to invest in better training for its employees and, at the same time, provide 10,000 unemployed men and women with experience of working life. The scheme will focus on the health care sector with the aim of increasing the level of training in particular for auxiliary nurses, hospital porters and other staff with limited education. The employer will receive a wage subsidy for the trainee, and the Public Employment Service can also subsidise the employee's training by up to half the cost³².
- The National Labour Market Board (AMS) will receive additional resources to reinforce its current labour market policy programme, especially work experience. The number of places on the programme will be increased by 13,000 in 2006 and by 10,000 in 2007.
- Occupationally disabled men and women still have a lower rate of employment than the population as a whole. The Government is proposing a three-stage model to guarantee the availability of effective measures for this category. Initial vocational guidance will be followed by rehabilitation at the workplace when deemed necessary by the Public Employment Service. If it is still not possible to find regular work, sheltered employment can be provided at state-owned Samhall AB or other employers.
- The ceiling for wage subsidies, which are the primary form subsidised employment for occupationally disabled men and women, has been raised during 2005 and will be further increased in January 2007.
- The Institute for Labour Market Policy Evaluation (IFAU) will be given the task, in consultation with the AMS, of devising methods to make it easier for the Public Employment Service to provide the unemployed with the right measures at the right time. The aim is to permit the early identification of unemployed who are at a high risk of long-term unemployment.
- The Government intends to give AMS an assignment to cooperate with temporary work agencies or similar to find jobs for 4,000 unemployed university graduates in each of the years 2006 and 2007.

Improving integration of men and women with foreign background

A number of far-reaching initiatives have been taken to improve the integration of men and women with a foreign background into the labour market³³, although this group still has a lower level of employment. In

³² Maximum 1,000 kronor per week.

³³ See earlier action plans for employment.

spite of the strengthened legislation against discrimination at individual level, there are indications that institutional discrimination on grounds of ethnic or religious affiliation still exists in many areas of society. The Government intends to continue to reduce the difference in employment between those with a foreign background and the population as a whole, and to evaluate the measures that have been adopted.

- The experiment with workplace introduction for certain immigrants, which has been in place since 2003, will continue during 2006. The intention is to give refugees and immigrants extra support prior to employment and during the initial period in a new job. A recent report by the AMS on the service provided by specially trained employment officers to 6,000 immigrants shows that over half of the participants had found permanent work since the start in 2003.
- The Institute for Labour Market Policy Evaluation (IFAU) has been assigned specially to monitor and evaluate labour market policy initiatives for men and women with a foreign background. Workplace introduction for certain immigrants will be evaluated as a first stage.
- In a joint declaration of intent in June 2004, the central labour market organisations and the Government agreed on a number of integration measures aimed at boosting employment, promoting equal opportunity and counteracting discrimination on grounds of ethnic origin. As a result of this joint declaration of intent, the new "trial opportunity" initiative was introduced in February 2005.
- The Government has introduced an opportunity for men and women with a foreign background to receive a vocational assessment at their place of work. After the assessment, a certificate will be issued which can be included in job applications by the person concerned.
- In order to combat discrimination, the Government is intensifying its training and information efforts aimed at men and women working in the recruitment field. A commission of inquiry has been appointed to investigate the feasibility of a system of anonymous job applications in the public sector and to produce a report at the end of 2005.
- The Government has appointed two commissions of inquiry to examine problems associated with discrimination on grounds of ethnic or religious affiliation. The first commission³⁴ investigated the current situation and reported in June 2005 on measures that are now under consideration by the Government. The second commission³⁵ will identify institutional discrimination on these grounds from a broader perspective and will submit its report in June 2006.
- No later than the spring of 2006, the Government will introduce a bill concerning the integration of new immigrants, with particular regard to their joining the labour market.
- During the spring of 2006, the Government intends to present proposals aimed at raising the quality of Swedish language instruction for immigrants and increasing the throughput in this type of education. The basic premise is that the instruction must be based more clearly on the conditions and needs of the individual. The

³⁴ Dir. 2002:11

³⁵ Dir. 2004:54

instruction must also be able to run in parallel with work and work practice.

- The Government will allocate additional funding for the Ombudsman against Ethnic Discrimination in 2006.

From social benefit to work

Work is important for social integration, and many men and women who receive welfare benefits are without work.

- To facilitate entry into the labour market for men and women who are dependent on welfare benefits, the Government has appointed a commission of inquiry³⁶, which will review the efforts from the society in this respect. The commission will recommend measures to facilitate the transition from dependence on benefits to gainful employment. The primary areas of concern include strengthening the focus on work and skills through an increased demand for activity, strengthening the financial incentives to work and improving the allocation of responsibilities and cooperation between national and local government. The report by the commission must be ready no later than November 2006.

Incentives to work

The trend over recent years shows that the average marginal effects have decreased substantially. The total reduction was 6 percentage points (from 46.2 per cent to 40.2 per cent) between 1997 and 2003. The reduction has been greater among single parents and couples with three or more children. The average marginal effect is slightly lower for women than for men (38.6 per cent and 41.7 per cent respectively). Financial incentives to work are important, although the application of the rules governing entitlement to unemployment benefit is at least as important. The Swedish Unemployment Insurance Board (IAF) has noted a lack of uniformity between the Public Employment Services in examining the right to receive unemployment benefit as far as challenging applicants' entitlement to receive benefit is concerned.

- The final step in the ongoing tax reform introduced by the Government in 2000 will be taken in 2006 and will involve tax reductions to reduce both marginal tax and average income tax, in particular for low and middle income-earners³⁷ (see also Guideline 3).
- To improve monitoring and control of the unemployment insurance and social insurance systems, the AMS and the Social Insurance Office will each be allocated additional resources in 2006 and 2007 for the recruitment of up to 300 unemployed university graduates.

³⁶ Dir. 2005:10

³⁷ The tax reduction for the national pension contribution is increased from 87.5 per cent to 100 per cent. At the same time, the deduction for the national pension contribution is reduced from 12.5 per cent to 0 per cent when calculating liability for municipal and national tax.

- The Government has assigned the AMS the task of developing and improving its methods for the administration and control of unemployment insurance. The AMS will report back to the Government later this year on its planned and adopted measures and the results that have been achieved. The AMS will also develop and test a new model for eventual challenging of the entitlement to receive unemployment benefit in some counties during 2006.
- A new, central agency for the administration of social insurance (the Social Insurance Office) was established in January 2005, and this will improve conditions for a more consistent application of the existing rules governing social insurance.

4.4 Guideline 20 – Improving matching of labour market needs

The most important tool for eliminating bottlenecks in the labour market is training in areas where a shortage of labour can impede growth. The geographical mobility of labour is also an important factor (see Guideline 21). The ability to meet the needs of the labour market is facilitated by a well-developed IT system in the Public Employment Service.

Prevent bottlenecks and promote mobility

The Government has made additional resources available in 2005 for labour market training and has reallocated resources from preparatory training to vocationally oriented labour market training. The aim is to overcome bottlenecks and to increase the mobility of labour, in order to achieve a more efficient labour market.

- The Public Employment Service will be allocated resources for the recruitment of up to 200 additional employment officers over the next two years. One of the objectives of this is to improve contact between the Public Employment Service and employers.
- A new Internet portal for training paths at national level (www.utbildningsinfo.se) will be launched at the end of 2005. The portal has been developed by the National Agency for Education in association with the Labour Market Board, the National Agency for Higher Education and other organisations concerned.
- Interaction between various levels of the education system and the local labour market is essential for the early identification of skills requirements. As of 2007, consultations between local education authorities and the social partners regarding vocationally-oriented education and training at upper secondary level will be compulsory. The social partners should be involved in the planning and configuration of vocational training to enable them to contribute to its relevance and quality.
- Job-seekers throughout the EU now have access to information about all vacancies reported to the Public Employment Service in Sweden.

All vacancies that are published in Platsbanken, the PES vacancy database, are accessible via EURES, the European Job Mobility Portal. In this way, Sweden meets the agreed EU target.

- Sweden has, under national law, opened up its labour market to citizens of the new EU Member States. No transitional period will be applied to citizens of the new EU Member States. It is too early to draw any definitive conclusions about the effects. Although the influx of labour from these countries has increased, the effect on the Swedish labour market has been marginal because the absolute number is low.
- In February 2004, the Government decided to appoint a committee of inquiry to propose a new regulatory framework to facilitate the immigration of labour from countries outside the EU/EEA. The initiative came from Parliament, which considered that a review of the rules governing the immigration of labour was desirable. The committee will submit its final report in 2006.

4.5 Guideline 21 – Promoting flexibility combined with employment security and reducing labour market segmentation, with due regard to the role of the social partners

Combine flexibility and security

Globalisation and structural changes create the need for flexible labour markets, businesses and education systems, as well as security for employees and policies that encourage both companies and their employees to embrace change.

Recent Swedish data show that globalisation has not produced any major impact on the employment level as a whole in Sweden.³⁸ However, increased international competition may have a significant impact on employment in certain regions, on certain companies or on certain groups of employees.

- In an effort to modernise labour law legislation and promote job security, the Government is considering a new regulatory system for fixed-term contracts of employment with the aim of simplifying the regulations and reducing the use of fixed-term contracts. Improved protection for employees on parental leave is also under consideration. The Government is planning to introduce a bill to address these issues in Parliament in the spring of 2006.
- A commission of inquiry, the Full-time Employment Inquiry, will report on 30 November 2005 on ways of increasing the right to full-time employment for men and women who are involuntarily working part-time.

³⁸ See, e.g. ITPS (2004) "Näringslivets internationalisering. Effekter på sysselsättning och FoU". Report A2004:014.

- A report containing proposals on how a law on partial leave for employees who wish to reduce their working hours might be formulated will be published on 1 December 2005.
- Special pilot projects in the public sector to prevent and reduce absence due to sickness and to counteract long-term sick leave are currently being financed by the Government. These projects cover work organisation, working methods and management questions. An evaluation report will be presented in 2006.
- The Government has assigned the Agency for Innovation Systems (VINNOVA) to examine the possibility of strengthening and developing methods and models for cooperation between employers in the area of preventive measures and rehabilitation at work.

Combat undeclared work and tax fraud

Measures must be adopted to combat economic crime and tax evasion so as to maintain confidence in the tax system. From an international perspective, the frequency of undeclared work is low in Sweden³⁹, but it is still an important issue.

- To combat tax evasion in trades in which payment in cash is common; a commission of inquiry has proposed a requirement for the use of type-approved cash registers in such businesses.
- A proposal is in the process of being drawn up that will require employers to maintain a staff ledger, which must be updated before an employee takes up his or her appointment.
- New types of unannounced inspections and a simplified tax audit procedure will enable the Swedish Tax Agency to combat undeclared work effectively. A proposal has been submitted to permit tax returns to be filed via representatives, i.a. to free up resources for tax inspections.
- The Swedish Tax Agency will recruit an additional 420 staff in 2006 and 2007 to enable the Board to increase tax inspections and make a major effort to counter tax evasion.

Geographical and occupational mobility

Geographical and occupational mobility are important factors in promoting a well-functioning labour market, facilitating structural change and encouraging economic growth. The education and training system plays a key role in providing basic skills and in-service training, which are prerequisites for labour market mobility (see Guidelines 23 and 24).

The development of the Public Employment Service's matching and information systems is an important means of counteracting problems associated with a lack of agreement with the needs of the labour market due to geographical imbalance.

³⁹ Six per cent of employees performed undeclared work during 2001, and the share of GDP was estimated at approximately 4.5 per cent in 2002.

- Subsidies for daily commuting have been increased to facilitate commuting, and the possibility of a free home journey every other weekend has been reintroduced and improved.
- During 2005, the Government will consider the proposals by the Commission on dual residence⁴⁰. The report by the Commission on how the tax framework can be improved for men and women with dual residence was submitted in March 2005.
- In an attempt to strengthen interregional public transport and improve labour market mobility, the Government has increased its grant to the National Public Transport Agency (Rikstrafiken) for 2005, 2006 and 2007.

4.6 Guideline 22 – Ensuring employment-friendly labour cost development and wage-setting mechanisms

An effective wage formation process contributes substantially to low unemployment and low inflation, thereby promoting high employment and growth. The social partners involved in the labour market have the chief responsibility for wage formation in Sweden. They have a long tradition of reciprocal cooperation and collective agreements at industry and company level. The agreement on Industrial Development and Wage Formation is a good example of how to provide the parties with the conditions needed to enable them to engage in constructive negotiations with a balanced settlement as the outcome without resorting to industrial action. Under the agreement, the parties accept joint responsibility for wage formation in their particular segment of the labour market (see Appendix 1).

The National Mediation Office

The task set by the Government to the National Mediation Office sets out the most important objectives of effective wage formation. This means that the Office works in a variety of ways to help the negotiating parties to take account of socio-economic factors. The Office must actively encourage the parties to draw up bargaining timetables so that a new agreement can be concluded before the previous period of agreement expires. The aim is to avoid industrial action. The National Mediation Office must also observe and maintain the consensus that exists in the labour market concerning the pacesetting role of the competitive sector during wage negotiations. This must be achieved through direct talks between the parties concerned. Wage formation has worked well in Sweden since the late 1990s. The agreed nominal wage increases have come down and are now largely in line with the wage increases in other, comparable countries. New agreements have generally been concluded in good time, i.e. before the previous agreements expire. From an international perspective, Sweden has few conflict days per employee. A

⁴⁰ SOU 2005:28

commission of inquiry⁴¹ has been appointed to evaluate what the effects of the establishment of the National Mediation Office in 2000 has had on wage formation in Sweden. The commission will present a report in March 2006. Combat wage discrimination

Combating wage discrimination

In 2003, the monthly wage for women was on average 84 per cent of that for men. Allowing for differences in age, level of education, hours worked, sector and occupation between men and women, the figure is 92 per cent. The remaining differences mainly reflect the structure of the labour market and discrimination against women. The Government is committed to putting an end to all forms of wage discrimination for reasons of gender.

The Equal Opportunities Act requires employers to carry out an annual review and analysis of pay differentials between men and women who perform identical or equivalent work. The employer must determine whether existing pay differentials bear any direct or indirect relationship to the employees' gender. An annual action plan must include a cost calculation and a timetable for the objective that any necessary pay adjustments must be implemented within three years.

The Equal Opportunities Ombudsman will issue a report on the impact of the amendments to the Equal Opportunities Act at the end of 2005.

- During the autumn of 2005, the Government will submit proposals for a national action plan aimed at eliminating all wage discrimination for reasons of gender. The action plan will include areas that can be assumed to influence the pay differentials between men and women directly or indirectly.
- The social partners involved in the labour market are major players in the efforts to eliminate wage discrimination. The National Mediation Office should, therefore, in cooperation with the Equal Opportunities Ombudsman, endeavour to introduce a gender perspective into wage negotiations.

Facilitate employment by one-man businesses

A one-man business, wishing to take on an employee for the first time faces a high threshold in the form of administrative costs for payroll, reporting requirements and orientation costs. According to a recent report, there is a desire among one-man businesses to employ men and women, and the threshold for employing a second person is lower.⁴²

- The Government is accordingly working on a proposal to lower the social security contributions payable for the first employed for up to one year from 32.46 per cent to 10.21 per cent in 2006 and 2007, thereby stimulating employment by one-man business.

⁴¹ Dir 2005:29

⁴² NUTEK R 2005:01.

4.7 Guideline 23 – Expanding and improving investment in human capital

The Swedish strategy for lifelong learning is based on a number of guiding principles: men and women in all stages of life must be eligible, blind alleys in the education system must be eliminated and the schools must offer all citizens access to comprehensive basic education and impart the knowledge and skills that are necessary prerequisites for further study and the development of one's own skills. A fundamental principle of the public education system is that all education must be provided free of charge to the individual. Sweden meets the guidelines that have been set at European level in the field of education and training (see Appendix 6). The Government's efforts focus on the further development of quality in education and adaptation to individual needs.

The Government's long-term objective is for half of a given age cohort to have embarked on a course of higher education by the age of 25 years. Various measures have been adopted in pursuit of this target. Current figures indicate that around 44 per cent of all those born in 1982 have entered higher education.

Increasing the quality of the education system

The quality of the education and training system must be continually improved and adapted to meet the demands of a changing society. National and international studies indicate generally good results within the Swedish education system, but they also point to deficiencies in young people's abilities in mathematics and science. Equality of opportunity remains a problem, which manifests itself predominantly in differences in results between pupils with a Swedish and a foreign background and in differences between the performances by boys and girls. The number of pupils who do not complete their higher secondary education is still unacceptably high. In 2004, 7.9 per cent of young women and 9.3 per cent of young men aged 18–24 years left school immediately after completing their compulsory education and did not participate in any further education (see Appendix 6, Main Indicator 31). To meet these challenges, the Government has already proposed and will continue to propose a number of measures which also satisfy the Council's recommendation to Sweden in 2004 and are in line with the priorities of the European Youth Pact:

- A 3-year targeted grant to municipalities was introduced in 2005 to increase pre-school staffing ratios and provide municipalities with the means to reduce the size of the groups of children. The government grant will permit an increase in the number of employees by 6,000 pre-school teachers, child minders and other staff in preschools. This measure will supplement the state support for the employment of teachers and other specialists in schools.
- The Government intends to propose a new Education Act in 2006. The aim is, as far as possible, to create common rules for all forms of school regardless of the governing body. The proposal is intended to provide the basis for education of high quality, security and a calm

working environment. One major change is that preschools will be a separate form of school and will be integrated into the education system with an essentially common set of rules and regulations for preschool and school. A new Discrimination Act will prohibit discrimination and harassment in schools.

- The Government intends in 2006 to submit proposals for the regulation of adult education. If instruction is to take place continuously, the relevant forms must be flexible. The focus will shift, therefore, from a fixed organisation with frameworks and rules, which apply collectively to a more flexible organisation with regard to time, space and content. This development must take place in a legally secure and equitable fashion for the individual. The Government considers that adult learning needs to be reinforced through more adapted and functional legislation.
- Acting at the Government's request, the National Agency for Education has begun to inspect preschools, schools and adult education establishments throughout the country. By 2009, all schools will have been inspected for the first time. The inspections will examine the operations from a legal and qualitative point of view with the aim of contributing to the work that is being done at local level to develop the quality of the education system.
- Quality reports established on the basis of the schools' and the local education authorities' own assessments have been obligatory for municipalities, schools and municipal adult education facilities since 1997. These will now also be obligatory for municipal preschools and after-school leisure centres.
- The Government is considering various measures for improving the pupils' basic proficiencies, for example in reading, writing and mathematics. The measures under consideration include support for skills development for teachers provided by the municipalities, the dissemination of good practice and other measures to stimulate the pupils' motivation and interest in mathematics and reading. The Government is also considering measures to improve follow-up and evaluation by the State, for example by the introduction of national tests from earlier school ages (at present these only take place from year 5) as one of a number of measures to improve the monitoring of pupils' achievements at national level.
- The Government has required all schools to provide every pupil with an individual development plan from 2006 onwards, which highlights what actions are required in order for a pupil to achieve the national targets.
- Extra resources have been allocated in 2006 and 2007 to improve educational provision in segregated residential areas, because assessments have revealed that the pupils in these areas experience more difficulties in achieving educational targets. This is especially true for pupils who come to Sweden at a late stage in their compulsory education.
- Additional financial resources have been made available to municipalities for the development of the instruction provided in individual programmes at upper secondary level. The purpose of the

individual programme is to help pupils to qualify for admission to the national programmes at upper secondary level or to offer these pupils the opportunity to combine studies in certain subjects at upper secondary level with practical vocational training. The reason for many of the changes in the education system is to improve the quality and to increase the number of students who eventually complete their education. This measure is also clearly intended to reduce the number of pupils who drop out of school early.

- A modern upper secondary apprenticeship training will be introduced in 2007 as an alternative means of completing a vocational programme. The entry requirements will be the same as for school-based national study programmes. The introduction of this alternative way of completing an upper secondary school education is an element in the effort to increase the proportion that complete their education at upper secondary level.

Broadening the recruitment to higher education

Certain groups within society have not been integrated into the formal education system to a sufficiently high degree. Differences in the rates of recruitment to higher education from certain social and ethnic groups remain a challenge.

- Current efforts to make higher education an alternative and a possibility open to all groups in society will continue. Under Swedish law, the work of expanding recruitment to higher education is a task for the universities and the institutions of higher education, and this in turn is monitored by the Government.
- The Government has decided to improve access to student grants for students aged 40-55 years and to increase the level of grant for students with children.
- An evaluation of the recently reformed teacher-training programme indicates that the reform has met the current needs. However, the evaluation has also identified certain problems, for example an unclear definition of teacher skills, inadequate safeguarding of academic quality by recruiting teaching staff with PhD qualifications and an excessive number of curriculum options for students. The Government has already initiated a dialogue with the institutions of higher education about the changes required and has also rewritten parts of the higher education ordinance that deal with the qualifications for a teaching degree. This work has top priority.

4.8 Guideline 24 – Adapting education and training systems in response to new competence requirements

The Government gives priority to raising the quality and attractiveness of theoretical education and vocational training with the intention of providing the economy with a highly skilled labour force. Young men and women need a solid foundation of skills and knowledge from which to pursue their future studies, career and personal development. A

number of measures will be adopted to improve upper secondary education (see also Guideline 23). An infrastructure for adult learning is very important. This includes accessibility, individual guidance, validation and student grants. Close cooperation between all stakeholders in Swedish society is vital to enable a proper response to future needs and skills requirements.

- The upper secondary school sector will be modernised and adapted during 2007 in line with developments in society and working life. Closer cooperation between school and working life at a local level regarding vocational education and training will also be required by law as of 2007. The aim is to improve the quality and relevance of vocational education and training.
- The Government appointed a vocational education and training delegation in 2005 made up of representatives of the private sector and the social partners involved in the labour market with a view to improving the quality of vocationally oriented education and training by encouraging cooperation between schools and working life. Gender equality must be considered by the delegation in its work, which will continue until 2007.
- Priority is being given to the development of post-secondary vocational training programmes. This is important in view of the declared need to be able to meet the requirements of the labour market for specialised skills and to provide training opportunities for men and women who are not participating in higher education.
- The Government has allocated financial resources for a period of three years to support initiatives and innovation projects that can produce positive results in the longer term, contribute to improvements in quality and develop the knowledge base in the health care sector.
- Validation is regarded as a key element of lifelong learning in Sweden, as also articulated in the European Youth Pact. It is important, both for the individual, not least for young men and women, and also for a well functioning labour market, that every woman and man has the opportunity to validate their own formal and non-formal learning. The Government has appointed a delegation for the period 2004-2007 to address the development of legitimacy, quality and methods for validation.
- The recently published bill, "New World – New University"⁴³, proposes a new, internationally comparable degree structure for higher education for the purpose, among other things, of facilitating the mobility of students and employees. Fairer, clearer and simpler admission rules will make education accessible to more men and women.

⁴³ Prop. 2004/05:162.

Appendix 1 – Industrial Agreement

On 18 March 1997, an agreement was reached in respect of industrial development and wage formation, commonly referred to as the Industrial Agreement, between twelve employers' associations and eight trade union organisations, representing effectively all industrial sectors in Sweden. The agreement is unique in its scope: it covers essentially the entire sector of the Swedish economy that is exposed to competition, it bridges old boundaries between blue collar and white collar employees on the union side, and it introduces an entirely new model for collective bargaining and conflict resolution.

The background to the Industrial Agreement included an invitation by the government in the spring of 1996 to the central organisations of labour market to submit, if possible jointly, proposals for changes to the bargaining and wage determination system by March 1997 at the latest, with a view to ensuring more effective wage determination.

The aim of the industrial agreement is to promote industrial development, profitability and competitiveness as a means of establishing the foundations for positive wage trends and good conditions for employees in other respects. The aim of the agreement is to provide the agreement gives the parties in industry an opportunity to engage in constructive collective bargaining with balanced results and without resorting to industrial action. In this way, the parties take joint responsibility for wage determination in their area of the labour market and contribute to more effective wage determination, which makes it possible to combine low unemployment and stable prices.

In the agreement, the parties set out their joint assessments of the prospects for industrial activities such as international competition, economic conditions, competitiveness and energy availability, among others. The importance of research and development as well as education and skills development for industry have been studied in more detail and reported to the Industry Committee.

A framework for a wage negotiations procedure is outlined in the bargaining part of the agreement. The intention is to provide the parties with the means to conduct their respective collective negotiations constructively, without resorting to industrial action, and to enter into a new agreement with balanced results before the old agreement expires.

Industry Committee and impartial chairmen

Under the agreement, the parties within industry have formed an Industry Committee consisting of leading representatives of the central organisations concerned. The task of this committee is to monitor and promote the application of the Industrial Agreement and to concern itself in other issues aimed at creating good conditions for industry and its employees.

One or two impartial chairmen are appointed for each area of the agreement, with the task of assisting the parties to the agreement in renegotiating collective agreements.

In conjunction with the renegotiation of collective agreements, the parties are required, under the agreement, to start negotiations 3 months before the previous agreement is due to expire and to complete them before it expires.

If a new agreement has not been reached one month before the expiry date, one or two impartial chairmen shall assist the parties to the collective agreement. An impartial chairman has the freedom to act on his own initiative and, among other things, can request opinions from the Economic Council of Sweden submit his own proposals for solutions and defer industrial action. A party intending to serve notice of industrial action shall be required, before serving notice, to inform the impartial chairman verbally and in writing.

The intention of the parties is to avoid industrial action, which causes long-term damage to the business in the area of the agreement, or which unnecessarily affects a third party or constitutes a risk to society.

Economic Council of Swedish Industry

The Industrial Committee appoints the Economic Council of Swedish Industry, which consists of four independent economists who give their opinions and make recommendations in economic questions at the request of the parties to collective agreements, the impartial chairman or the Industrial Committee.

Appendix 2 – Research and competitiveness - industry's offer to Sweden

The Industry Committee was formed by the twelve employers' organisations and seven trade unions, which signed the Industrial Agreement in 1997. Its principal function is for the parties to ensure that wage determination remains within the constraints of the economy. Questions of major significance to the development and competitiveness of industry are also addressed. Since the start of the agreement, research and development have been an area of high priority offering considerable scope for consensus between the parties.

Process

The Industry Committee organized an Industry Day in October 2004 with the theme "Research for competitiveness". The Committee also made an "offer" to the Swedish Prime Minister, in which a number of significant measures for achieving improved industrial competitiveness, are identified. These measures call for a joint effort by the Government and industry. The following areas are included in the offer:

- Competitive Industrial Research Institutes
- Increased exchanges between industry, educational establishments, educational establishments and institutes
- Sectoral research programmes
- Innovation support for new and growing companies
- A new structure for engineer education
- Enhanced vocational education

The Prime Minister welcomed this offer of cooperation, and a working group was established in the Government. The group was led by the State Secretaries of Ministry of Industry, Employment and Communications and Ministry of Education, Research and Culture.

The Industry Committee has formed working groups in each of the above areas. Each group normally has three members from the employers' side and three from the unions, all with good knowledge of the area. These are working groups in the true meaning of the word.

In addition to these six groups, there is a steering group with two members from each party, whose task is to coordinate the work of the groups and to maintain a dialogue with the government representatives. Appropriate measures in each of the above areas have been discussed at regular meetings with the Government.

Industry Day 2005 took place on 4 October and build upon the proposals and ideas that were presented last year and was, on this occasion, focused on the prospects for production and industrial activities in Sweden.

Conclusions of the Industry Committee from its offer-related work (short version)

Competitive Industrial Research Institutes

The Industry Committee wishes to see a research environment with strong Industrial Research Institutes, which, in close cooperation with the universities and higher education establishments, function as centres of excellence for industry. The Industrial Research Institutes need to be concentrated in order to achieve truly high competence, and they must improve their interaction with small and medium enterprises. The institutes' involvement in European research and development projects needs to be strengthened further.

How?

- Utilize the synergies in the on-going restructuring process.
- Increase the institutes' cooperation with industry and universities and higher education establishments.
- The Industry Committee will produce a plan for increased industrial involvement in the institutes' projects.
- Basic financing of the institutes by the Government should reach a level of 20 percent by the year 2010.

Increased exchange between industry, educational establishments and institutes

In order to bridge the distance between academe and industry, the Industrial Committee wishes, in a first stage, to see increased personal mobility between industry, academe and institutes through the following measures:

- Industry will fund an increased number of industrial postgraduate students and adjunct professors who are active in the universities and higher education establishments or industrial research institutes.
- Government-funded positions after taking a PhD will also include the possibility of an industrial placement.
- Industrial merits will be awarded in the academic merit appraisal system.

How?

- The Industry Committee will draw up plans for industrial postgraduate students and post-doctoral positions in trade and industry.
- An action plan for increased personal mobility will be drawn up in cooperation between all the players involved.
- The merit appraisal system at universities and higher education establishments will be changed so that industrial experience carries more weight.

Sectoral research programmes

Advanced sectoral research programmes for important industrial sectors bring considerable economic returns in the form of competitiveness and employment. The Industry Committee believes that positive effects of existing programmes can be achieved in more areas. An additional ten or so national sector research programmes should be drawn up in the next few years. Closer cooperation and a continuous dialogue should be developed between the sector, the Swedish Agency for Innovation Systems (VINOVA) and researchers in conjunction with the preparation and implementation of sector research programmes. The programmes should address problem areas that are common to a significant proportion of the sector, and they shall facilitate international cooperation.

How?

- The Government should make additional funds available to sectors with thoroughly considered programmes and which are prepared to finance half of the cost.

Innovation support for new and growing companies

In order to better utilize the development potential of small enterprises, the interfaces between enterprises and those involved in research need to be strengthened on regional level. The Industrial Research Institutes play an active role in this process.

- Increased access to seed capital for new and growing enterprises, which have a background in existing industrial enterprises.
- Fertile ideas in existing enterprises that are not developed within the enterprise itself will be utilized elsewhere.
- The receptiveness of small enterprises to new technology and new knowledge will be improved.

How?

- Support for SMEs through Regional Innovation Centres and the Industrial Research Institutes.
- Strengthened seed financing aimed at new and growing industrial enterprises.
- Programme for the employment of a first engineer in SMEs.
- The Industry Committee is working towards a better innovation climate in enterprises.

A new structure for engineer education

The Industry Committee is committed to the following:

- Higher technical education will be provided at educational establishments and locations with the best potential to provide internationally accepted education. A clearer education structure and

a more effective use of resources will help to increase the quality and attractiveness of the education courses.

- The design, content and dimensioning of engineer education courses corresponds to industry's long-term needs and development.
- Engineer education courses are attracting larger numbers of female students and give the students good proficiency in entrepreneurship.

How?

- In the autumn of 2005, the Industry Committee's member organisations will embark on a structured dialogue between enterprises and educational establishments at a regional level in respect of the content of and dimensioning of higher technical education.
- The Industry Committee's member organisations will continuously develop and update their awareness of industry's need for skills.
- The Industry Committee will draw up an action plan during 2006 for the content and structure of the engineer education courses in the production area.

Enhanced vocational education

The Industry Committee will be involved in the establishment of technical colleges in close cooperation between secondary and post-secondary adult education, labour market training for unemployed, advanced vocational education (KY) and technical further professional education to permit more effective utilization of resources.

The Industry Committee will contribute to the design of technical colleges in close cooperation between municipalities, education providers and enterprises to ensure an attractive vocational education environment that closely reflects the development and needs of working life and attracts both young people and adults.

The Industry Committee will help to ensure increased involvement of enterprises in steering groups and by offering work experience.

How?

- Conditions for technical colleges will be set out in relevant regulations.
- Four technical colleges will open in 2006 with the assistance of the Industry Committee, and in 2010 there will be technical colleges in around 20 major industrial regions.

What contribution has the Industry Committee's work made so far?

Part of the answer can be found in the Government research bill to the parliament and the budget bill for 2006:

- Restructuring and financing of the Industrial Research Institutes.
- Major investment in sector programmes.

- Support for R&D efforts in SMEs.
- Support for Industrial Development Centres.

Appendix 3 – Involvement of the Sörmland Regional Association in the Lisbon Strategy

The municipalities of Oxelösund and Flen

Introduction

The Sörmland Regional Association wishes to acknowledge the processes that are taking place in the EU. One important element is the Lisbon Strategy. Its vision and objectives are clearly stated, and it can be implemented easily at regional and local level.

This Appendix presents the work that is being done in the Sörmland Regional Association on the development of working methods for both politicians and civil servants and the preparation of concrete actions within its regional policy work on the Lisbon Strategy.

Our aim is to be a "pilot county" and to contribute actively to the joint efforts of implementing the Lisbon Strategy at a local and regional level.

The Regional Association of Sörmland, which was formed in 2003, has adopted three policy areas to focus on - infrastructure, the business sector and Skills availability. Three overriding perspectives permeate our work: sustainable development, young people's attitudes and values as well as internationalisation.

Since 2005, we have appointed two political rapporteurs to assist in our work with the Lisbon Strategy. Their task is to take special responsibility for integrating and communicating the Lisbon Strategy at a regional and municipal level. This includes increasing and broadening understanding of the work of the EU and increase awareness of the national action programme within the municipalities and the region. It involves working from the perspective of the region of Sörmland and adopting measures, where necessary, through our councillors and council. The work must be integrated in the existing development plans and processes on local and regional level.

Starting points and suggested actions for the Regional Association of Sörmland as a "pilot county"

- The Lisbon process requires a "bottom-up" perspective connected to existing development processes in the county in order to link it together on local national and EU level. Wherever possible, politicians must translate the ambitions of the Lisbon process at a local and regional level. That is to say, they must lead the regional development work, take decisions and push forward those questions that are particularly significant for growth in the region of Sörmland.
- Build upon existing networks and develop new networks, including jointly with the other rapporteurs who represent other regions of Sweden. Highlight models and good examples, which can contribute to the commitment to the Lisbon process and other EU related issues and to growth the region. A network coordinator – a Mr or Mrs

Lisbon – will be needed for every region, whose task will include linking together the local, regional, national and EU levels.

- The politicians need to strengthen their own skills and knowledge to lead the development work. The rapporteurs can then play a part in the skills development of other politicians, monitor the work of the Regional Committee, establish strategic contacts within the EU, participate in the relevant networks, for example the so-called "Lisbon Regions", and interact with other regions of Sweden.
- The politicians need to communicate, inform, and engage citizens in the Lisbon process and other EU related questions. The rapporteurs have a vision of making the work of the Lisbon process transparent; involving citizens in the work of prioritising the regional issues; developing a communications strategy for the regional work, and identifying ways of maintaining a dialogue as part of the local/regional development plans and linked to the Lisbon Strategy.

Examples of activities carried out until now.

- The Regional Association has undertaken a comparison of Sörmland, Sweden and the EU in respect of growth, economic performance, employment, unemployment, the environment and education.
- The rapporteurs have begun the task of informing about and explaining the ambitions of the Lisbon Strategy based on the national action program and the comparison made by the Regional Association of developments in the region from a national and international perspective. It is a matter of identifying areas where the regions and the municipalities can contribute to the joint work. The region of Sörmland is in a strong position in many respects, although we can still improve in a number of areas. For example, carbon dioxide emissions in Oxelösund, the low numbers transferring to higher levels of education, the low spirit of enterprise, and an employment level below the national average, etc.
- Four seminars have been held so far to inform about the aims of the Lisbon Strategy. The work of building networks in Sörmland and other regions such as Mälardalen continues among those with responsibility for the EU-matters, in an attempt to increase knowledge and awareness of the Lisbon Strategy.
- Continuous contacts with the Swedish Government.

Local examples of achieving results within the Lisbon Strategy by Oxelösund and Flen municipalities.

Oxelösund

Quote: Benita Vikström (s), councillor in Oxelösund

Environment, sustainable development

The municipality of Oxelösund has created an area of marshland for the effective cleaning and reduction of emissions into the Baltic Sea. It has also decided to undertake a major reconstruction of the sewage treatment plant. It will be possible to achieve better values than the thresholds that are set today. Local politicians have decided to be pioneers and are making the investment as a token of their responsibility for sustainable development.

It has also been decided not to salt the roads in the winter, for environmental reasons.

Oxelösund's schools are engaged in environmental projects. They have developed strategies and constructed environmentally friendly buildings at the schools for recycling purposes and to create a better environment. The work is intended to help the children to adopt a natural attitude towards environmental issues. Groups of teachers and pupils are responsible for looking after the facilities and providing information. They have a special EU flag (green flag) to show that they are contributing to sustainable development.

The day care facility for mentally handicapped people has undertaken to call at the municipality's premises and empty recycling containers. They do this on 1-2 days each week. They then go to the municipality's large recycling centre, where they sort the material. The patients who attend the day care facility feel that they are doing a valuable job, and the municipality's operating units can have their refuse and waste sorted and recycled at no cost.

SSAB in Oxelösund flares off its LD gas. This contributes more than 1 % of Sweden's emissions of carbon dioxide. An investment of between 120 and 150 million kronor will permit environmentally friendly fuels to be produced from the gas. This would help Sweden to meet its undertaking to reduce carbon dioxide emissions. Oxelösund municipality has taken an active interest in the question and has sought the participation of the Government.

Innovations and entrepreneurship

In order to improve the opportunities for enterprise and the attitudes to entrepreneurship, Oxelösund municipality will hold an "Enterprise Week" in the autumn of 2005. During the week, all politicians of the local government will spend a whole day visiting enterprises. Each is expected to make 3-4 visits.

The local council will hold a thematic meeting. The Regional Association has been invited to describe what it is doing at this level in respect of promoting entrepreneurship and innovation in the county. The ALMI will also describe how it receives and assists new entrepreneurs.

The two associations of businesses in the municipality will give their perspective and outline their problems, obstacles and opportunities. Some entrepreneurs in the municipality will also be there and will present examples from everyday life to help to increase the councillors' understanding of the conditions facing entrepreneurs. Public officials will also take part in the discussions.

The intention is for the discussions to arrive at conclusions in respect of what can be changed or improved in order to encourage entrepreneurship and innovation in the county. The municipality has also requested the political parties to hold meetings during the week on the same subject in order to strengthen the message. It has been recommended that the week should become an annual feature of local politics.

Flen municipality

Quote: Lotta Finstorp (m), councillor in Flen

- Flen is trying to persuade more people to go on to higher education. Flen cooperates closely with the business sector. For example, Flen has invested in its "own" upper secondary school. This investment in the local area has led to more people proceeding to higher education after leaving upper secondary school.
- Life-long learning – a centre of excellence that makes higher education possible at a distance.
- Advanced vocational education (KY) – education for manufacturing industry in conjunction with validation (integration).
- Redevelopment of the “Hälleforsnäs Bruksområde” (industrial site), Sweden's largest redevelopment project (90 million kronor).
- When the municipality invested in new vehicles, demands were raised that it should be ethanol-powered vehicles. Due to the fact that the municipality now adds 90 new ethanol-powered cars to the area, one of the local petrol stations considered it profitable to invest in an ethanol pump. Previously no ethanol has been provided for at any gas station and because of that very few ethanol driven cars have been sold to citizens of the municipality.
- Increased perimeter protection to safeguard the municipality's drinking water supply.
- The “Mullvaden” Project, a concept for sorting at source, which involves farmers and households in rural areas.

- Women's resource centres are available, which utilize women's skills and endeavour to guide them into working life.
- Involvement in the EQUAL Community initiative – an innovation and structural impetus. In the Equal project, partners develop together by taking advantage of the “silent” skills that exist in disadvantage groups. The aim of the project is to develop strategies, methods and procedures to reinforce an organisational infrastructure (information, advice, education, support and service) to promote enterprise, and which is characterised by diversity in three municipalities. The project seeks to draw attention to the spirit of enterprise in underrepresented groups (focus on women from ethnic minorities and those with functional disabilities), and to stimulate enterprise among young people.
- Initiatives in further education to meet expected large-scale retirements in the future. Care assistants can study to become nurses, pre-school teachers and primary school teachers.

Appendix 4 – A dialogue between the Government and Swedish youth on the European Pact for Youth

In March 2005 the European Council adopted the European Pact for Youth⁴⁴. The aim of the Pact is to improve education, training, mobility, vocational integration and social inclusion of young Europeans, while facilitating the reconciliation of working and family life. The Pact should ensure overall consistency of initiatives in these areas and provide the starting point for a strong, ongoing mobilisation of young people. The Council conclusions underlined that the success of the Youth Pact depends on the involvement of all concerned parties, first and foremost national, regional and local youth organisations as well as the European Youth Forum, regional and local authorities and the social partners.

The Swedish Government has on various occasions arranged different kinds of consultations with young people on issues of special importance to youth. The 25 of May, 2005, the Swedish Minister for Youth Affairs held a consultation about the Youth Pact with Swedish national youth organisations. The discussions focused on concrete ideas for implementation of the Pact as well as on how young people want to be informed and consulted about the process in the future.

In open groups the participants discussed the different focus areas of the Youth Pact. There was also a possibility to have a private 2-3 minute discussion with the Minister. Below some examples of the results of the discussions are presented:

Regarding employment and better possibilities to combine working and family life suggestions were raised about i.e. the need for more and better information about and contact with employers, more information to young people about entrepreneurship and validation of non-formal and informal learning. There was a general agreement that internships are a good way into the labour market for young persons. Touching upon social inclusion, anonymous job-applications were mentioned as a way of avoiding discrimination of for instance persons of foreign background. A shared parents' insurance was suggested as a means to promote a more gender equal labour market.

In the discussions about improving education, more information from employers on what kind of knowledge they consider relevant for different kinds of jobs was requested. Suggestions to make the system of post secondary student aid more flexible, to increase student's influence in schools, to avoid dropouts and to change the grading system were also discussed.

There was a general agreement that experiences from other countries and cultures gained through for instance studies, internships or work abroad are very valuable. To improve the possibilities to gain such experience the participants suggested for instance to make available more and better information at the local level to young people at an early age. The need to make it easier to apply to programmes for international

⁴⁴ For further information about the Youth pact
http://europa.eu.int/youth/news/index_1794_en.html

mobility was also discussed. Furthermore, the importance of validation of experiences gained abroad was underlined.

The participants also had the possibility to discuss what form the process of information to and consultation with youth about the Youth Pact should take in the future. Activities such as the consultation the 25th of May were welcomed. At the same time it was stated that these forum for consultation must not be a one off thing and that it is important to continuously consult young people. One proposal was to establish a reference group with both young organised and non-organised persons. Another suggestion was to continue the dialogue on a special website for the Pact. A process to name “heroes” and “villains” in relation to implementation of the Youth Pact was also discussed.

For more information (in Swedish) on the Swedish work with the European Pact for Youth, and the report from the consultation the 25th of May 2005 in its entirety, see www.regeringen.se/ungdomspakten

Appendix 5 – Integrated Guidelines

These guidelines are applicable to all Member States and to the Community. They should foster coherence of reform measures included in the National Reform Programmes established by Member States and will be complemented by the Lisbon Community Programme 2005-2008 covering all action to be undertaken at Community level in the interest of growth and employment. Implementation of all relevant aspects of these guidelines should take into account gender mainstreaming.

Macroeconomic policies for growth and jobs

Guideline n°1

To secure economic stability for sustainable growth, 1. in line with the Stability and Growth Pact, Member States should respect their medium-term budgetary objectives. As long as this objective has not yet been achieved, they should take all the necessary corrective measures to achieve it. Member States should avoid pro-cyclical fiscal policies. Furthermore, it is necessary that those Member States having an excessive deficit take effective action in order to ensure a prompt correction of excessive deficits. 2. Member States posting current account deficits that risk being unsustainable should work towards correcting them by implementing structural reforms, boosting external competitiveness and, where appropriate, contributing to their correction via fiscal policies.

Guideline n°2

To safeguard economic and fiscal sustainability as a basis for increased employment, Member States should, in view of the projected costs of ageing populations, 1. undertake a satisfactory pace of government debt reduction to strengthen public finances, 2. reform and re-enforce pension, social insurance and health care systems to ensure that they are financially viable, socially adequate and accessible, and 3. take measures to increase labour market participation and labour supply especially amongst women, young and older workers, and promote a lifecycle approach to work in order to increase hours worked in the economy.

Guideline n°3

To promote a growth, employment orientated and efficient allocation of resources Member States should, without prejudice to guidelines on economic stability and sustainability, re-direct the composition of public expenditure towards growth-enhancing categories in line with the Lisbon strategy, adapt tax structures to strengthen growth potential, ensure that

mechanisms are in place to assess the relationship between public spending and the achievement of policy objectives and ensure the overall coherence of reform packages.

Guideline n°4

To ensure that wage developments contribute to macroeconomic stability and growth and to increase adaptability Member States should encourage the right framework conditions for wage-bargaining systems, while fully respecting the role of the social partners, with a view to promote nominal wage and labour cost developments consistent with price stability and the trend in productivity over the medium term, taking into account differences across skills and local labour market conditions.

Guideline n°5

To promote greater coherence between macroeconomic, structural and employment policies, Member States should pursue labour and product markets reforms that at the same time increases the growth potential and support the macroeconomic framework by increasing flexibility, factor mobility and adjustment capacity in labour and product markets in response to globalisation, technological advances, demand shift, and cyclical changes. In particular, Member States should renew impetus in tax and benefit reforms to improve incentives and to make work pay; increase adaptability of labour markets combining employment flexibility and security; and improve employability by investing in human capital.

Guideline n°6

To contribute to a dynamic and well-functioning EMU, euro area Member States need to ensure better co-ordination of their economic and budgetary policies, in particular 1. pay particular attention to fiscal sustainability of their public finances in full compliance with the Stability and Growth Pact; 2. contribute to a policy mix that supports economic recovery and is compatible with price stability, and thereby enhances confidence among business and consumers in the short run, while being compatible with long term sustainable growth; 3. press forward with structural reforms that will increase euro area long-term potential growth and will improve its productivity, competitiveness and economic adjustment to asymmetric shocks, paying particular attention to employment policies; and 4. ensure that the euro area's influence in the global economic system is commensurate with its economic weight.

Microeconomic reforms to raise Europe's growth potential

Guideline n°7

To increase and improve investment in R&D, in particular by private business, the overall objective for 2010 of 3% of GDP is confirmed with an adequate split between private and public investment, Member States will define specific intermediate levels. Member States should further develop a mix of measures appropriate to foster R&D, in particular business R&D, through: 1. improved framework conditions and ensuring that companies operate in a sufficiently competitive and attractive environment; 2. more effective and efficient public expenditure on R&D and developing PPPs; 3. developing and strengthening centres of excellence of educational and research institutions in Member States, as well as creating new ones where appropriate, and improving the cooperation and transfer of technologies between public research institute and private enterprises; 4. developing and making better use of incentives to leverage private R&D; 5. modernising the management of research institutions and universities; 6. ensuring a sufficient supply of qualified researchers by attracting more students into scientific, technical and engineering disciplines and enhancing the career development and the European, international as well as inter-sectoral mobility of researchers and development personnel.

Guideline n°8

To facilitate all forms of innovation, Member States should focus on: 1. improvements in innovation support services, in particular for dissemination and technology transfer; 2. the creation and development of innovation poles, networks and incubators bringing together universities, research institution and enterprises, including at regional and local level, helping to bridge the technology gap between regions; 3. the encouragement of cross-border knowledge transfer, including from foreign direct investment; 4. encouraging public procurement of innovative products and services; 5. better access to domestic and international finance, and 6. efficient and affordable means to enforce intellectual property rights.

Guideline n°9

To facilitate the spread and effective use of ICT and build a fully inclusive information society, Member States should: 1. encourage the widespread use of ICT in public services, SMEs and households; 2. fix the necessary framework for the related changes in the organisation of work in the economy; 3. promote a strong European industrial presence in the key segments of ICT; 4. encourage the development of strong ICT and content industries, and well functioning markets; 5. ensure the security of networks and information, as well as convergence and interoperability in order to establish an information area without

frontiers; 6. encourage the deployment of broad band networks, including for the poorly served regions, in order to develop the knowledge economy.

Guideline n°10

To strengthen the competitive advantages of its industrial base, Europe needs a solid industrial fabric throughout its territory. The necessary pursuit of a modern and active industrial policy means strengthening the competitive advantages of the industrial base, including by contributing to attractive framework conditions for both manufacturing and services, while ensuring the complementarity of the action at national, transnational and European level. Member States should: 1. start by identifying the added value and competitiveness factors in key industrial sectors, and addressing the challenges of globalisation. 2. also focus on the development of new technologies and markets. a) This implies in particular commitment to promote new technological initiatives based on public-private partnerships and cooperation between Member States, that help tackle genuine market failures. b) This also implies the creation and development of networks of regional or local clusters across the EU with greater involvement of SMEs.

Guideline n°11

To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth, Member States should: 1. give priority to energy efficiency and co-generation, the development of sustainable, including renewable, energies and the rapid spread of environmentally friendly and eco-efficient technologies a) inside the internal market on the one hand particularly in transport and energy, inter alia in order to reduce the vulnerability of the European economy to oil price variations, b) towards the rest of the world on the other hand as a sector with a considerable export potential; 2. promote the development of means of internalisation of external environmental costs and decoupling of economic growth from environmental degradations. The implementation of these priorities should be in line with existing Community legislation and with the actions and instruments proposed in the Environmental Technologies Action Plan (ETAP), *inter alia*, through a) the use of market-based instruments, b) risk funds and R&D funding, c) the promotion of sustainable production and consumption patterns including the greening of public procurement, d) paying a particular attention to SMEs and e) a reform of subsidies that have considerable negative effects on the environment and are incompatible with sustainable development, with a view to eliminating them gradually. 3. pursue the objective of halting the loss of biological diversity between now and 2010, in particular by incorporating this requirement into other policies, given the importance of biodiversity for certain economic sectors. 4. continue to fight against climate change, while implementing the Kyoto targets in a cost-effective way, particularly in regard to SMEs.

Guideline n°12

To extend and deepen the Internal Market, Member States should: 1. speed up the transposition of Internal Market directives; 2. give priority to stricter and better enforcement of Internal Market legislation; 3. eliminate remaining obstacles to cross-border activity; 4. apply EU public procurement rules effectively; 5. promote a fully operational internal market of services, while preserving the European social model; 6. accelerate financial market integration by a consistent and coherent implementation and enforcement of the Financial Services Action Plan.

Guideline n°13

To ensure open and competitive markets inside and outside Europe, reap the benefits of globalisation, Member States should give priority to: 1. the removal of regulatory, trade and other barriers that unduly hinder competition; 2. a more effective enforcement of competition policy; 3. selective screening of markets and regulations by competition and regulatory authorities in order to identify and remove obstacles to competition and market entry; 4. a reduction in State aid that distorts competition; 5. in line with the upcoming Community Framework, a redeployment of aid in favour of support for certain horizontal objectives such as research, innovation and the optimisation of human capital and for well-identified market failures; 6. the promotion of external openness, also in a multilateral context; 7. full implementation of the agreed measures to open up the network industries to competition in order to ensure effective competition in European wide integrated markets. At the same time, the delivery, at affordable prices, of effective services of general economic interest has an important role to play in a competitive and dynamic economy.

Guideline n°14

To create a more competitive business environment and encourage private initiative through better regulation, Member States should: 1. reduce the administrative burden that bears upon enterprises, particularly on SMEs and start-ups; 2. improve the quality of existing and new regulations, while preserving their objectives, through a systematic and rigorous assessment of their economic, social (including health) and environmental impacts, while considering and making progress in measurement of the administrative burden associated with regulation, as well as the impact on competitiveness, including in relation to enforcement; 3. encourage enterprises in developing their corporate social responsibility.

Guideline n°15

To promote a more entrepreneurial culture and create a supportive environment for SMEs, Member States should: 1. improve access to finance, in order to favour their creation and growth, in particular micro-

loans and other forms of risk capital; 2. strengthen economic incentives, including by simplifying tax systems and reducing non-wage labour costs; 3. strengthen the innovative potential of SMEs, and 4. provide relevant support services, like the creation of one-stop contact points and the stimulation of national support networks for enterprises, in order to favour their creation and growth in line with Small firms' Charter. In addition, Member States should reinforce entrepreneurship education and training for SMEs. They should also facilitate the transfer of ownership, modernise where necessary their bankruptcy laws, and improve their rescue and restructuring proceedings.

Guideline n°16

To expand, improve and link up European infrastructure and complete priority cross-border projects with the particular aim of achieving a greater integration of national markets within the enlarged EU. Member States should: 1. develop adequate conditions for resource- efficient transport, energy and ICT infrastructures – in priority, those included in the TEN networks - by complementing Community mechanisms, notably including in cross-border sections and peripheral regions, as an essential condition to achieve a successful opening up of the network industries to competition; 2. consider the development of public-private partnerships; 3. consider the case for appropriate infrastructure pricing systems to ensure the efficient use of infrastructures and the development of a sustainable modal balance, emphasizing technology shift and innovation and taking due account of environmental costs and the impact on growth.

The Employment Policy

Guideline n°17

Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion. Policies should contribute to achieving an average employment rate for the European Union (EU) of 70% overall, of at least 60% for women and of 50% for older workers (55 to 64) by 2010, and to reduce unemployment and inactivity. Member States should consider setting national employment rate targets.

Guideline n°18

Promote a lifecycle approach to work through: a renewed endeavour to build employment pathways for young people and reduce youth unemployment as called for in the Youth Pact; resolute action to increase female participation and reduce gender gaps in employment, unemployment and pay; better reconciliation of work and private life and the provision of accessible and affordable childcare facilities and care for

other dependants; support to active ageing, including appropriate working conditions, improved (occupational) health status and adequate incentives to work and discourage early retirement; modern social protection systems, including pensions and healthcare, ensuring their social adequacy, financial sustainability and responsiveness to changing needs, so as to support participation and better retention in employment and longer working lives.

Guideline n°19

Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people, and the inactive through: active and preventive labour market measures including early identification of needs, job search assistance, guidance and training as part of personalised action plans, provision of necessary social services to support the inclusion of those furthest away from the labour market and contribute to the eradication of poverty; continual review of the incentives and disincentives resulting from the tax and benefit systems, including the management and conditionality of benefits and a significant reduction of high marginal effective tax rates, notably those with low incomes, whilst ensuring adequate levels of social protection; development of new sources of jobs in services to individuals and businesses, notably at local level.

Guideline No.20

Improve matching of labour market needs through: the modernisation and strengthening of labour market institutions, notably employment services, also with a view to ensuring greater transparency of employment and training opportunities at national and European level; removing obstacles to mobility across Europe within the framework of the EU Treaties; better anticipation of skill needs, labour market shortages and bottlenecks; appropriate management of economic migration.

Guideline n°21

Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners, through: the adaptation of employment legislation, reviewing where necessary the different contractual and working time arrangements; addressing the issue of undeclared work; better anticipation and positive management of change, including economic restructuring, notably changes linked to trade opening, so as to minimise their social costs and facilitate adaptation; the promotion and dissemination of innovative and adaptable forms of work organisation, with a view to improving quality and productivity at work, including health and safety; support for transitions in occupational status, including training, self-employment, business creation and geographic mobility;

Guideline n°22

Ensure employment-friendly labour cost developments and wage-setting mechanisms by: encouraging social partners within their own responsibilities to set the right framework for wage bargaining in order to reflect productivity and labour market challenges at all relevant levels and to avoid gender pay gaps; reviewing the impact on employment of non-wage labour costs and where appropriate adjust their structure and level, especially to reduce the tax burden on the low-paid

Guideline n°23

Expand and improve investment in human capital through: inclusive education and training policies and action to facilitate significantly access to initial vocational, secondary and higher education, including apprenticeships and entrepreneurship training; reducing significantly the number of early school leavers; efficient lifelong learning strategies open to all in schools, businesses, public authorities and households according to European agreements, including appropriate incentives and cost-sharing mechanisms, with a view to enhancing participation in continuous and workplace training throughout the life-cycle, especially for the low-skilled and older workers.

Guideline n°24

Adapt education and training systems in response to new competence requirements through: raising and ensuring the attractiveness, openness and quality standards of education and training, broadening the supply of education and training opportunities and ensuring flexible learning pathways and enlarging possibilities for mobility for students and trainees; easing and diversifying access for all to education and training and to knowledge by means of working time organisation, family support services, vocational guidance and, if appropriate, new forms of cost-sharing; responding to new occupational needs, key competences and future skill requirements by improving the definition and transparency of qualifications, their effective recognition and the validation of non-formal and informal learning.

Appendix 6 – Indicators to monitor the employment guidelines

Key indicators⁴⁵

Key indicator 1 – Unemployment rate (GL 17), Structural indicator

Total unemployed persons as a share of total active population, per cent.

Unemployment rate	Total	Men	Women
15-64	6.3	6.5	6.1

Source: Eurostat unemployment harmonised series.

Key indicator 2 – Employment rate (GL 17), Structural indicator

Persons in employment as a proportion of total population in the same age group, per cent.

Employment rate by age group	Total	Men	Women
15-64	72.1	73.6	70.5
55-64	69.1	71.2	67.0

Source: Quarterly Labour Force Data, Eurostat.⁴⁶

Key indicator 3 – Transition by pay level (GL 21)

Transition between non-employment and employment and within employment by pay level, per cent.

Total	Status 2003					
	1 st decile	2 nd decile	3 rd decile	4 th –10 th decile	Non-empl.	Total
Status 2002						
1 st decile	39.0	16.5	7.8	9.6	27.0	100.0
2 nd decile	13.4	37.6	15.7	18.1	15.3	100.0
3 rd decile	4.7	16.0	42.3	28.6	8.4	100.0
4 th –10 th decile	0.8	2.1	3.9	90.4	2.8	100.0
Non-employment	9.6	3.9	1.7	2.3	82.5	100.0

Men	Status 2003					
	1 st decile	2 nd decile	3 rd decile	4 th –10 th decile	Non-empl.	Total
Status 2002						
1 st decile	40.8	18.7	6.9	7.6	26.1	100.0
2 nd decile	13.3	38.2	16.9	17.0	14.6	100.0
3 rd decile	3.5	14.1	44.9	29.9	7.5	100.0
4 th –10 th decile	0.7	2.0	3.8	91.2	2.3	100.0
Non-employment	10.3	4.2	1.3	1.5	82.7	100.0

⁴⁵ If nothing else is stated all figures are yearly averages for 2004. The key indicator numbers 16 and 19 are not included due to non-applicable data.

⁴⁶ Quarterly Labour Force Data are comparable estimates based on the Labour Force Survey and ESA-95.

Women	Status 2003					
Status 2002	1 st decile	2 nd decile	3 rd decile	4 th –10 th decile	Non-empl.	Total
<i>1st decile</i>	36.5	15.8	7.8	11.7	28.2	100.0
<i>2nd decile</i>	13.1	34.9	14.5	20.9	16.6	100.0
<i>3rd decile</i>	5.2	16.0	37.4	31.5	9.9	100.0
<i>4th–10th decile</i>	0.9	2.4	4.6	88.8	3.2	100.0
<i>Non-employment</i>	9.1	3.8	1.8	2.9	82.3	100.0

Source: Statistics Sweden's labour statistics based on administrative sources (RAMS).

Key indicator 4 – Growth in labour productivity (GL 21)

Growth in GDP per capita of employed population and per hour worked, per cent.

Labour productivity (2003)	Total
<i>Per employed</i>	1.8
<i>Per hour worked</i>	2.7

Source: ESA95, DG ECFIN.

Key indicator 5 – Transition by employment status (GL 21)

Transition between employment, unemployment and inactivity between the four quarters of the year, per cent.

Total	Status at t			
Status at t-1	Employed	Unemployed	Inactive	Total
<i>Employed</i>	96.1	1.3	2.6	100.0
<i>Unemployed</i>	24.2	55.6	20.2	100.0
<i>Inactive</i>	8.9	4.2	86.8	100.0

Men	Status at t			
Status at t-1	Employed	Unemployed	Inactive	Total
<i>Employed</i>	96.4	1.4	2.2	100.0
<i>Unemployed</i>	24.6	57.0	18.4	100.0
<i>Inactive</i>	8.9	4.6	86.5	100.0

Women	Status at t			
Status at t-1	Employed	Unemployed	Inactive	Total
<i>Employed</i>	95.8	1.2	3.0	100.0
<i>Unemployed</i>	23.7	53.8	22.5	100.0
<i>Inactive</i>	8.9	4.0	87.1	100.0

Source: Labour Force Survey, Statistics Sweden.

Key indicator 6 – Long-term unemployment rate (GL 19)

Total long-term unemployed population (12 months or more) as a proportion of total active population, per cent.

	Total	Men	Women
<i>Long-term unemployment rate</i>	1.2	1.0	1.4

Source: Quartely Labour Force Data, Eurostat.

Key indicator 7 – Preventative services (GL 19)

Share of young people/adult becoming unemployed in month X, still unemployed in month X+6/X+12, and not having been offered an action plan⁴⁷, per cent.

Preventative service ⁴⁸	Total	Men	Women
<i>Young people</i>	1.7	1.9	1.4
<i>Adults</i>	2.9	2.9	2.8

Source: The National Labour Market Board (AMS).

Key indicator 8 – New start (GL 19)

Share of young people/adult becoming unemployed in month X, still unemployed in month X+6/X+12, and not having been offered a new start, per cent.

New start ⁴⁹	Total	Men	Women
<i>Young people</i>	5.4	6.3	4.4
<i>Adults</i>	10.1	11.4	8.7

Source: The National Labour Market Board (AMS).

Key indicator 10 – Activation of long-term unemployed (GL 19)

Number of long-term registered unemployed participants in an active measure (training, retraining, work experience or other employability measure) in relation to the sum of the long-term unemployed participants plus registered long-term unemployed (yearly averages). Broken down by types of measures and gender. (LMP categories 2-7), per cent.

Activation of LTU ⁵⁰	Total	Men	Women
<i>All</i>	63.8	63.9	63.7
<i>Broken down by type of measure</i>			
- <i>Training</i>	19.3	17.3	22.1
- <i>Employment incentives</i>	16.9	17.6	15.9
- <i>Integration of disabled</i>	26.2	27.5	24.3
- <i>Start-up incentives</i>	1.4	1.5	1.3

Source: The National Labour Market Board (AMS).

⁴⁷ Action plan is the only service included in intensive counselling and job-search assistance, LMP category 1, for Sweden.

⁴⁸ Young people refer to men and women until the age of 24, adults refer to men and women in the age 25 and older.

⁴⁹ New start refers to training, retraining, work experience a job or other employability measure.

⁵⁰ Long-term registered unemployed (LTU) refers to persons that have been unemployed for more than 12 months.

Key indicator 11 – Follow-up of participants in active measures (GL 19)

1. Rate of inflow of LMP participants into employment 3 months after participation in a measure (6 months in parenthesis).

Inflow into employment	Total	Men	Women
<i>Total</i>	36.4 (40.0)	37.7 (41.4)	34.8 (38.3)
<i>Broken down by measure⁵¹</i>			
- <i>Training⁵²</i>	32.3 (37.1)	34.2 (39.1)	30.1 (34.6)
<i>thereof employment training</i>	73.4 (68.2)	72.6 (67.4)	74.9 (69.5)
- <i>Employment incentives⁵³</i>	41.0 (43.3)	41.3 (43.6)	40.6 (42.8)
- <i>Integration of the disabled⁵⁴</i>	23.1 (24.4)	23.5 (25.2)	22.3 (22.9)
- <i>Start-up incentives</i>	80.6 (80.0)	80.7 (79.5)	80.3 (80.8)

Source: The National Labour Market Board (AMS).

2. Rate of return of LMP participants into unemployment 3 months after participation in a measure (6 months in parenthesis).

Inflow into unemployment	Total	Men	Women
<i>Total</i>	24.9 (20.6)	25.6 (21.7)	24.0 (19.1)
<i>Broken down by measure⁵⁵</i>			
- <i>Training⁵⁶</i>	22.5 (18.9)	22.9 (19.6)	22.0 (17.9)
<i>thereof employment training</i>	14.0 (16.4)	15.5 (18.1)	11.1 (13.2)
- <i>Employment incentives⁵⁷</i>	27.6 (22.4)	28.5 (24.0)	26.4 (20.4)
- <i>Integration of the disabled⁵⁸</i>	39.1 (33.0)	40.2 (34.3)	37.0 (30.8)
- <i>Start-up incentives</i>	9.7 (9.0)	10.1 (9.8)	8.9 (7.6)

Source: The National Labour Market Board (AMS).

Key indicator 12 – Enterprise births (GL 21), Structural indicator

Gross birth rate of new enterprises as a percentage of total stock of active enterprises.

	Total
<i>Enterprise births (2002)</i>	6.1

Source: Eurostat Structural Business Statistics (SBS).

⁵¹ Breakdown based on the categories in the LMP database (Eurostat).

⁵² Computer/activity centres, employability rehabilitation programme, activities within counselling, guidance and placement services, projects with employment policy orientation, labour market training, preparatory training courses.

⁵³ General recruitment incentive, extended recruitment incentive, special recruitment incentive, work experience, municipal youth programme (youths under age 20), youth guarantee (youths aged 20-24).

⁵⁴ Wage subsidies, public sheltered employment. The remaining participants in these measures have been used as denominator instead of the number that left the measure.

⁵⁵ Breakdown based on the categories in the LMP database (Eurostat).

⁵⁶ Computer/activity centres, employability rehabilitation programme, activities within counselling, guidance and placement services, projects with employment policy orientation, labour market training, preparatory training courses.

⁵⁷ General recruitment incentive, extended recruitment incentive, special recruitment incentive, work experience, municipal youth programme (youths under age 20), youth guarantee (youths aged 20-24).

⁵⁸ Wage subsidies, public sheltered employment. The remaining participants in these measures have been used as denominator instead of the number that left the measure.

Key indicator 13 – Employment growth (GL 17), Structural indicator

Annual change in total number of employed persons, overall and by main sector, in percentage points.

Employment growth	Total	Men	Women
Total (2004)	-0.5	-0.6	-0.4
Agriculture (2003)	-1.4		
Industry (2003)	-2.1		
Service (2003)	0.4		

Source: Quarterly Labour Force Data, Eurostat.

Key indicator 14 – Survival rate of newly born enterprises (GL 21), Structural indicator

Newly born enterprises of year t that are still active in year t+3.

	Total
Survival rate of enterprises after 3 years (1999-2002)	79.0

Source: Structural Business Statistics (SBS), Eurostat.

Key indicator 15 – Diversity of contractual and working arrangements (GL 21)

Employees in non-standard employment (part-time and/or fixed-term) as per cent of total employees. Total employees in part-time and/or fixed-term contracts as a percentage of all employees in the same group, respectively; and total self-employed as per cent of person in employment.

Contractual and working arrangements	Total	Men	Women
Non-standard employment	35.5	21.7	49.0
Part-time	26.3	11.4	40.8
- Involuntary part-time	25.5	32.4	23.6
Fixed-term employment	15.2	13.5	16.8
- Involuntary fixed-term employment	25.8	29.5	22.9
Self-employed	9.6	14.0	4.9

Source: Labour Force Survey, Statistics Sweden.

Key indicator 17 – Trends in accidents at work (GL 21), Structural indicator

The evolution of the incidence rate, defined as the number of accidents at work per 1 000 person in employment.

Trends in accidents at work	Total	Men	Women
2000	8.9	10.3	7.4
2001	8.2	9.8	6.4
2002	9.1	10.6	7.4
2003	8.4	9.8	7.0
2004	7.4	8.6	6.2

Source: The Work Environment Authority and Statistics Sweden.

Key indicator 18 – Trends in occupational diseases (GL 21)

The trends in occupational diseases, defined as the number of occupational diseases per 1 000 in employment.

Trends in occupational diseases	Total	Men	Women
2000	5.8	4.7	7.0
2001	6.4	5.3	7.7
2002	5.4	4.5	6.3
2003	6.2	5.2	7.3
2004	5.1	4.3	5.9

Source: The Work Environment Authority and Statistics Sweden.

Key indicator 20 – Educational attainment of 22 year olds (GL 23)

Percentage of 22 year olds having achieved at least upper secondary education (ISCED level 3). The age group 20-24 is used as proxy, per cent.

	Total	Men	Women
<i>Educational attainment of 22 year olds</i>	86.3	85.1	87.6

Source: Labour Force Survey, Eurostat.

Key indicator 21 – Participation in education and training (GL 23), Structural indicator

Participation in education and training (25-64), overall, and by age group, working status and educational attainment, per cent.

Participation in education and training	Total	Men	Women
<i>Age group</i>			
- 25-64	35.8	31.5	40.3
- 25-34	39.5	37.3	41.8
- 35-44	37.1	32.4	42.0
- 45-54	35.8	30.1	41.7
- 55-64	30.1	25.6	35.0
<i>Working status (25-64)</i>			
- Employed	35.4	31.1	40.1
- Unemployed	29.8	25.9	34.9
- Inactive	44.2	42.7	45.2
<i>Educational attainment⁵⁹ (25-64)</i>			
- Low	20.4	17.9	24.1
- Medium	32.1	29.2	35.5
- High	50.6	46.7	53.4

Source: Labour Force Survey, Eurostat.

Key indicator 22 – Investment in human resources (GL 23), Structural indicator

Total public expenditure on education as a percentage of GDP.⁶⁰

	Total
<i>Investment in human resources (2002)</i>	7.7

Source: Joint UNESCO/OECD/Eurostat questionnaire.

⁵⁹ Low=Less than upper secondary education; Medium=Upper secondary education completed; High=Upper tertiary education completed.

⁶⁰ The demographic structure should be taken into account in the analysis.

Key indicator 23 – Participation in CVT (GL 23)

Share of employees participating in continuous vocational training (CVT), per cent.

	Total	Men	Women
<i>Participation in CVT (1999)</i>	61	60	61

Source: CVTS, Eurostat.

Key indicator 24 – Activity rate (GL 17)

Share of employed and unemployed in total population of working age 15-64, per cent.

	Total	Men	Women
<i>Activity rate</i>	77.2	79.1	75.2

Source: Quarterly Labour Force Survey, Eurostat.

Key indicator 25 – Average exit age from the labour force (GL 18), Structural indicator

The average age of withdrawal from the labour market, based on a probability model considering the relative changes of activity rates from one year to another at a specific age.

	Total	Men	Women
<i>Average exit age from the labour force (2003)</i>	63.1	63.5	62.8

Source: Labour Force Survey, Eurostat and DG EMPL.

Key indicator 26 – Employment gender gap (GL 18)

The difference in employment rates between men and women in percentage points.

	Total
<i>Employment gender gap</i>	3.1

Source: Quarterly Labour Force Survey, Eurostat.

Key indicator 27 – Unemployment gender gap (GL 18)

The difference in unemployment rates between women and men in percentage points.

	Total
<i>Unemployment gender gap</i>	-0.4

Source: Unemployment harmonised series, Eurostat.

Key indicator 28 – Gender pay gap (GL 22), Structural indicator

Women's salary as a percentage of men's salary, per cent.

Gender pay gap (2003)	Total
<i>Unadjusted</i>	
- Total	84
- Private sector	85
- Public sector	82
<i>Adjusted⁶¹</i>	
- Total	92
- Private sector	90
- Public sector	96

Source: Statistical yearbook of salaries and wages 2003, Statistics Sweden.

⁶¹ Differences between men and women in age, education, working hours, sector and occupational group are taken into consideration.

Key indicator 29 – Employment impact of parenthood (GL 18)

Employment rate for persons aged 20-50 with or without children 0-6 years, per cent.

Employment impact of parenthood	Total	Men	Women
<i>With children</i>	82.4	90.0	75.4
<i>Without children</i>	80.2	80.9	79.4
<i>Difference in percentage points</i>	2.2	9.1	-4.0

Source: Labour Force Survey, Statistics Sweden.

Key indicator 30 – Childcare (GL 18)

Children cared for as a proportion of all children in the same age group⁶², per cent.

Childcare	Public	Private
<i>1-3 year olds in pre-school activities</i>	62.2	12.2
<i>4-5 year olds in pre-school activities</i>	80.7	15.4
<i>6-9 year olds in school-age childcare</i>	69.0	6.4
<i>10-12 year olds in school-age childcare</i>	9.2	1.0

Source: National statistics from the National Agency for Education.

Key indicator 31 – Early school leavers (GL 23), Structural indicator

Percentage of 18-24 year olds having achieved lower secondary education (ISCED level 2) or less and not attending further education or training, per cent.

	Total	Men	Women
<i>Rate of early-school-leaving</i>	8.6	9.3	7.9

Source: Labour Force Survey, Eurostat.

Key indicator 32 – Unemployment rate gaps for people at a disadvantage (GL 19)

Difference in unemployment rates for disadvantaged groups⁶³ (according to national definitions) and the overall unemployment rate, in percentage points.

Difference in unemployment rate	Total	Men	Women
<i>Persons born outside Sweden</i>			
- Total	6.1	6.6	5.5
- Within EU15/EEA	0.5	-0.2	1.3
- Outside EU15/EEA	9.2	10.2	8.0
<i>Disabled persons</i>			
- Total	1.2	0.8	1.7
- With reduced ability to work	2.8	2.5	3.1

Source: Labour Force Survey, Statistics Sweden.

⁶² Attendance at open after-school centres is not included in these data.

⁶³ Disadvantaged groups are defined as persons born abroad and people with disabilities.

The estimates on the differences between persons born abroad and the whole population are weighted in a different way than the estimates of the levels. This implies that the differences presented here differ somewhat from the difference received when subtracting the level for person born abroad from the level of the whole population.

Key indicator 33 – Unemployment rate gap between non-EU15 and EU15 nationals (GL 19)

Unemployment rate gap between non-EU15 and EU15 nationals, in percentage points.

	Total	Men	Women
<i>Unemployment rate gap</i>	12.8	14.4	10.9

Source: Labour Force Survey, Statistics Sweden.

Unemployment rate gap between non-EU25 and EU25 nationals, in percentage points.

	Total	Men	Women
<i>Unemployment rate gap</i>	9.8	11.8	7.3

Source: Labour Force Survey, Statistics Sweden.

Key indicator 34 – Working poor (GL 21)

Number of working poor⁶⁴ as a per cent of working population.

	Total	Men	Women
<i>Working poor (2001)</i>	3	3	3

Source: EU-SILC, Eurostat.

Key indicator 35 – Poverty (low wage) trap (GL 19), Structural indicator

The marginal effective tax rate on labour income taking account the combined effect of increased taxes on labour and in-work benefits withdrawal as one increases the work effort (increased working hours or moving to a better job). Calculated as the ratio of change in personal income tax and employee contributions plus change (reductions) in benefits, divided by increases in gross earnings, using the “discrete” income changes from 34-66 per cent of APW.

Poverty (low wage) trap (2003)	Total
<i>One earner couple with two children</i>	100.0
<i>Single parent with two children</i>	53.8

Source: OECD-Commission.

Key indicator 36 – Unemployment trap (GL 19), Structural indicator

The marginal effective tax rate on labour income taking account the combined effect of increased taxes and benefits withdrawal as one takes up a job. Calculated as one minus the ratio of change in net income (net in work income minus net out of work income) and change in gross income for a single person moving from unemployment to a job with a wage level of 67 per cent of the APW.

	Total
<i>Unemployment trap (2003)</i>	87.1

Source: OECD-Commission.

⁶⁴ Working poor (in-work poverty) is defined as the share of individuals who are classified as “at work” (either in wage and salary employment or self-employed) according to the definition of most frequent activity status (the status that individuals declare to have occupied for more than half the total number of months for which information on any status in the calendar of activities is available) whose household equivalised disposable income is below 60 per cent of national median equivalised income.

Key indicator 37 – Taxation on low-wage earners (GL 22), Structural indicator

Tax wedge on labour cost: ratio of income tax plus employee and employer social contributions including payroll taxes less cash benefits divided by the labour costs for a single earner earning 67 per cent of the APW.

	Total
<i>Taxation on low-wage earners</i>	46.2

Source: OECD-Commission.

Key indicator 38 – Undeclared work (GL 21)

Within the Guideline, there are no agreed indicators yet. Initial discussions have led to the conclusion that the share of persons performing illicit work and the black sector's share of GDP are two measures that seem to be relevant within the Employment Strategy. Thus, these two measures are presented here, per cent.

Undeclared work	Total	Men	Women
<i>Share of persons who have performed illicit work during the year (2001)</i>	6	8	3
<i>The black sector as a share of GDP (2002)</i>	4.5		

Source: Tax Statistical yearbook of Sweden 2004.

Key indicator 39 – Regional disparities – coefficients of variation (GL 17), Structural indicator

Standard deviation of employment (unemployment) divided by the weighted national average (age group 15-64 years), NUTS II.

Regional disparities (2003)	Total	Men	Women
<i>Employment</i>	4.3	4.1	4.8
<i>Unemployment</i>			
- Nuts II	15.8		
- Nuts III	18.8		

Source: Labour Force Survey, Eurostat.

Key indicator 40 – Regional disparities – underperforming regions (GL 17)

1. Share of underperforming regions in terms of employment and unemployment (in relation to all regions and to the working age population/labour force, NUTS II).
2. Differential between average employment/unemployment of the underperforming regions and the national average in relation to the national average of employment/unemployment, NUTS II.

Thresholds to be applied: 90 per cent and 150 per cent of the national average rate for employment and unemployment, respectively.

Regional disparities – underperforming regions	Total
<i>Underperforming regions</i>	
- Employment	0/8
- Unemployment	0/8
<i>Share of workforce living in underperforming regions, %</i>	
- Employment	0.0
- Unemployment	0.0

Source: Labour Force Survey, Eurostat.

Context indicators to support the analysis of the National Reform Programmes by putting national policies and performance into perspective⁶⁵

Context indicator 1 – GDP growth (GL 17), Structural indicator

	Total
<i>Annual average of GDP growth, %</i>	3.6

Source: ESA95, DG ECFIN.

Context indicator 2 – Employment rate by age group (GL 18)

Number of persons in employment as a proportion of total population in the same age group, per cent.

Employment rate by age group	Total	Men	Women
20-64	77.4	79.4	75.3
15-24	39.2	38.6	39.7
25-54	82.9	85.0	80.9

Source: Labour Force Survey, Eurostat.

Context indicator 3 – Employment rate in full-time equivalent (GL 17)

Total hours worked divided by the average annual number of hours worked in full-time jobs, calculated as a proportion of total population in the 15-64-age bracket, per cent.

Employment rate in full-time equivalent	Total	Men	Women
15-64	66.2	70.9	61.6

Source: Labour Force Survey, Eurostat.

Context indicator 5 – Real unit labour costs (GL 22), Structural indicator

Growth in total compensation per employee adjusted for labour productivity and GDP deflator, per cent.

	Total
<i>Real unit labour costs</i>	-1.5

Source: ESA95, DG ECFIN.

Context indicator 6 – Labour productivity (GL 22), Structural indicator

Total annual output divided by number of occupied population and hours worked (GDP in PPS per person employed/per hour worked relative to EU15 where EU15=100), per cent.

Labour productivity (2003)	Total
<i>Per employed</i>	96.4
<i>Per hour worked</i>	97.4

Source: ESA95, DG ECFIN.

⁶⁵ If nothing else is stated all figures are yearly averages for 2004. The context indicator numbers 4, 7, 15 and part of 24 are not included due to non-applicable data.

Context indicator 8 – Inflow into long-term unemployment (GL 19)

Share of young people and adult unemployed becoming unemployed in month X, still unemployed in month X+6/X+12 without any break of more than one month (28-31 calendar days), per cent.

Inflow into LTU ⁶⁶	Total	Men	Women
<i>Young people</i>	7.6	8.7	6.2
<i>Adult</i>	12.0	13.6	10.2

Source: The National Labour Market Board (AMS).

Context indicator 9 – Youth unemployment ratio (GL 18)

Total unemployed young people (15-24 years) as a share of total population in the same age bracket, per cent.

	Total	Men	Women
<i>Youth unemployment ratio</i>	8.0	8.4	7.6

Source: Unemployment harmonised series, Eurostat

Context indicator 10 – LMP expenditure (GL 19)

Expenditure for active/passive labour market policy as per cent of GDP.

Active and passive	Active	Passive	Total
<i>Expenditures as % of GDP</i>	1.1	1.3	2.4

Source: The National Labour Market Board (AMS).

Context indicator 11 – Employment in newly established enterprises (GL 21)

Number of persons employed in newly born enterprises (in year t) and in surviving enterprises (set ups in years t-3, t-2 and t-1) in relation to the number of persons employed in all active enterprises (in a year t), per cent.

Employment in newly established enterprises	1998	1999	2000
<i>Total</i>		1.3	1.8
<i>Industry</i>		0.4	0.5
<i>Construction</i>	1.7	1.5	2.3
<i>Services</i>	2.3	1.8	2.4

Source: SBS, Eurostat.

Context indicator 12 – Employment rate in services (GL 19)

Number of employed persons working in the services sector (in main job) aged 15-64 as percentage of the population of the same age group.

	Total	Men	Women
<i>Employment rate in services (2003)</i>	55.8	47.2	64.7

Source: Quarterly Labour Force Data, Eurostat. Provisional data.

⁶⁶ Young people refer to men and women until the age of 24, adults refer to men and women in the age 25 and older.

Context indicator 13 – Working time (GL 21)

1. Average weekly number of hours usually worked per week defined as the sum of hours worked by full-time employees divided by the number of full-time employees.

2. Trends in average effective annual working time per employed person.

Working time	Total	Men	Women
<i>Weekly average</i>			
2000	40.0	40.2	39.7
2001	39.9	40.1	39.6
2002	39.9	40.1	39.6
2003	39.8	40.0	39.6
2004	39.9	40.0	39.6
<i>Annual average</i>			
1999	1647		
2000	1624		
2001	1602		
2002	1580		
2003	1563		

Source: Labour Force Survey, Eurostat.

Context indicator 14 – Overtime work (GL 21)

Number of employees for whom the number of hours actually worked exceeds the number of hours usually worked due to overtime as a percentage of all employees.

	Total	Men	Women
<i>Overtime work (2003)</i>	6.9	9.3	4.5

Source: Labour Force Survey, Eurostat

Context indicator 16 – Use of computers (GL 21)

Share of the workforce, using computers at home and/or at the working place for work purposes, per cent.

	Total
<i>Use of computers (2002)</i>	73

Source: Eurobarometer survey on ICT and employment 2002.

Context indicator 17 – Investments by enterprises in training of adults (GL 23)

Investment by enterprises in continuous vocational training (CVT) in relation to labour costs, per cent.

	Total
<i>Investments by enterprises in training of adults (1999)</i>	1.3

Source: CVTS, Eurostat.

Context indicator 18 – Labour reserve (GL 18)

Inactive persons wanting to work as a percentage of working age population 15-64.

	Total	Men	Women
<i>Labour reserve</i> ⁶⁷	2.8	2.8	2.9

Source: Statistics Sweden.

⁶⁷ The labour reserve is here defined as persons who want to work but are not in the labour force, for example due to studying, early retirement, housekeeping, military service or for other reasons.

Context indicator 19 – Labour supply growth (GL 18)

Annual change in labour supply (including employed and unemployed in working age 15-64), in percentage points.

	Total	Men	Women
<i>Labour supply growth</i>	-0.1	-0.1	-0.2

Source: Quarterly Labour Force Data, Eurostat.

Context indicator 20 – Employment gender gap in full-time equivalent (GL 18)

The difference in employment rates measured in full-time equivalent between men and women in percentage points.

	Total
<i>Employment gender gap in full-time equivalent</i>	9.3

Source: Labour Force Survey, Eurostat

Context indicator 21 – Employment gender gap by age group and educational attainment (GL 18)

The difference in employment rates between men and women in percentage points.

Employment gender gap	Total
<i>Age group</i>	
- 15-24	-0.7
- 25-54	4.1
- 55-64	4.3
<i>Educational attainment</i> ⁶⁸	
- Low	9.6
- Medium	5.4
- High	-0.9

Source: Labour Force Survey, Eurostat.

Context indicator 22 – Gender pay gap (breakdowns and adjustment) (GL 22)

Gender pay gap by age group and educational attainment (difference between men's and women's average gross hourly earnings as percentage of men's average gross hourly earnings for paid employees at work 15+ hours), per cent.

Gender pay gap (2001)	Total
<i>Age group</i>	
- 16-24	7
- 25-54	18
- 55-64	21
<i>Educational attainment</i> ⁶⁹	
- Low	14
- Medium	16
- High	24

Source: European Community Household Panel, Eurostat.

⁶⁸ Low=Less than upper secondary education; Medium= Upper secondary education completed; High=Upper tertiary education completed.

⁶⁹ Low=Less than upper secondary education; Medium= Upper secondary education completed; High=Upper tertiary education completed.

Context indicator 23 – Gender segregation (GL 18)

Gender segregation in occupations, calculated as the average national share of employment for women and men applied to each occupation; differences are added up to produce a total amount of gender imbalance presented as a proportion of total employment (ISCO classification).

Gender segregation in sectors, calculated as the average national share of employment for women and men applied to each sector; differences are added up to produce a total amount of gender imbalance presented as a proportion of total employment (NACE classification).

Gender segregation	Total
<i>In occupations</i>	27.6
<i>In sectors (2003)</i>	21.6

Source: Labour Force Survey, Eurostat.

Context indicator 24 – Lack of care for children and other dependants (GL 18)

Share of population, 65-84 years old living in ordinary housing who needs and gets assistance every week, per cent.

Lack of care services for dependant adults (2002)	Men	Women
<i>Public assistance</i>	3	6
<i>Assistance from household member</i>	7	7
<i>Assistance from other family/friends</i>	2	8

Source: Living Conditions Survey 2002 (ULF), Statistics Sweden.

Context indicator 25 – Labour market gaps for disadvantaged groups (GL 19)

Gaps on the labour market for disadvantaged groups⁷⁰ according to national definitions.

Size of group in relation to the population, %	Total	Men	Women
<i>Persons born outside Sweden</i>			
- Total	13.2	12.8	13.6
- Within EU15/EEA	4.3	4.2	4.4
- Outside EU15/EEA	9.0	8.6	9.3
<i>Disabled persons</i>			
- Total	18.8	17.8	19.8
- With reduced ability to work	10.8	9.4	12.3

Source: Labour Force Survey, Statistics Sweden.

⁷⁰ Disadvantaged groups are defined as persons born abroad and people with disabilities. The estimates on the differences between persons born abroad and the whole population are weighted in a different way than the estimates of the levels. This implies that the differences presented here differ somewhat from the difference received when subtracting the level for person born abroad from the level of the whole population.

The difference in labour force participation rate compared with the overall rate for disadvantage groups, in percentage points.

Difference in labour force participation rate	Total	Men	Women
<i>Persons born outside Sweden</i>			
- Total	-10.3	-8.2	-12.3
- Within EU15/EEA	-2.3	-3.2	-1.3
- Outside EU15/EEA	-14.1	-10.6	-17.4
<i>Disabled persons</i>			
- Total	-11.0	-10.1	-11.6
- With reduced ability to work	-21.9	-21.0	-22.3

Source: Labour Force Survey, Statistics Sweden.

The difference in employment rate compared with the overall rate for disadvantage groups, in percentage points.

Difference in employment rate	Total	Men	Women
<i>Persons born outside Sweden</i>			
- Total	-13.8	-12.4	-15.1
- Within EU15/EEA	-2.6	-2.9	-2.2
- Outside EU15/EEA	-19.2	-17.0	-21.2
<i>Disabled persons</i>			
- Total	-11.3	-10.2	-12.1
- With reduced ability to work	-22.5	-21.4	-22.9

Source: Labour Force Survey, Statistics Sweden.

Context indicator 26 – Implicit tax rate on employed labour (GL 19)

Ratio of total taxes on employed labour (personal income taxes plus employees' and employers' social security contributions plus payroll taxes) divided by the total compensation of employees plus payroll taxes, per cent.

	Total
<i>Implicit tax rate on employed labour</i>	47.0

Source: OECD-Commission.