

Sweden

# Trends, Recent Developments, Active Inclusion and Minimum Resources

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## Summary

The Swedish growth rate was in 2005 to 2.7 per cent and is expected to increase to 3.6 per cent during 2006. The labour market performance has nevertheless been sluggish. Unemployment rate was, according to EUROSTAT, 6.3 per cent in year 2004. During 2005 the Swedish Labour Force Survey has been adjusted to EU-standard? Figures for 2005 are therefore preliminary. The estimated unemployment rate was 7.8 per cent in 2005, which is close to EU-average and above the EU-median. Even though it nowadays is wrong to perceive Sweden as country that is particularly successful in the fight against unemployment it is still true that it is a country with a high employment rate. According to EUROSTAT the Swedish employment was 72.1 per cent in 2004. The employment rate is especially high among women and in the older part of the labour force. Preliminary figures indicate that the employment rate has gone up somewhat in year 2005 but it is still far below the government's own goal of 80 per cent. The relative low level of long term unemployment is a positive but there is a worrying increase also of long term unemployment. The labour market situation is considerably more troublesome for immigrants than for native born Swedes and the positive labour market development that was discernable in the beginning of the decade seems to be halted. Adding to problematic situation is the fact that immigrants to a large degree occupy jobs that do not match their skill.

The Swedish poverty rate continues to be low by any international standard. Poverty is in Sweden, as in most other countries, distributed according to a well-known pattern. The incidence is highest among single adult household, especially among single parents, among people outside the labour market and among immigrants. The decrease in the number of people that are dependent on means tested social assistance was halted in 2004. The government has not reach its goal regarding decreasing the overall dependency on social assistance with 50 per cent between year 1997 and year 2004. For reasons unknown, the government has decided not to update the statistics necessary to continue monitoring the policy in relation to the goal set up for year 2004.

Absence from work because of illness is still a major problem even tough the negative development seems to be halted and dependency on sickness insurance has decreased since year 2002. It is in particular women that are absent from work due to illness. Overall dependency on transfers has not decreased and the dependency rate was in 2004 the highest since 1997. It is particularly early retirement that has increased at least since 1990. Since the government has decided to not update this valuable source of information, figures for 2005 are not available.

In order to fight unemployment the government has since last autumn launched a series of new activation measures and the number of people engaged in different kinds of activation programs was in the first quarter the highest since 1999. As it seems the government plans to continue the expansion of activation measures also in 2007 and 2008. The problem is that the government launches these measures at the same time as they expect the GDP growth rate to peak at 3.6 per cent. Hence, labour market measures that traditionally are used to counterbalance an economic down turn are now expanded at the peak of the business cycle. What largely remains to understand is why a strong economy has not yet been resulted in a likewise strong labour market. More fundamental political measures to tackle this issue are missing.

## Content

<b>1</b>	<b>General Development .....</b>	<b>4</b>
1.1	The Swedish welfare state model.....	4
1.1.1	The Swedish welfare state – the local level.....	5
1.1.2	Policy impact and involvement of NGOs .....	7
1.2	Macro economic development.....	7
1.3	Labour market .....	8
1.3.1	A new Labour Force Survey.....	8
1.3.2	Unemployment – an enduring problem .....	9
1.3.3	Disaggregated data based on the Labour Force Survey .....	11
1.3.4	Immigrants and the labour market.....	15
1.4	Income and poverty .....	18
1.4.1	Social assistance.....	22
1.4.2	Alternative indicator of economic hardship.....	23
1.5	Health and absence from work .....	25
1.5.1	Absence from work – a total estimation.....	28
1.5.2	Education .....	29
<b>2</b>	<b>Activation policies.....</b>	<b>31</b>
2.1	Activation at the local level .....	36
	<b>Appendix 1.....</b>	<b>38</b>
	<b>Appendix 2: changes in the income survey .....</b>	<b>44</b>

## 1. General Development

This report will give a picture of the latest development regarding some of the central aspects related to poverty and social exclusion in today's Sweden. Areas covered are labour market, incomes and poverty, health, education and social exclusion. Special attention is given to labour market and activations policies. The situation among immigrants and differences between women and men are, when data are available, systematically reported. Time series has been used as much as possible in order to facilitate a substantial interpretation of the information. It is important to understand the relation between the NAP/incl process and the principles that governs a country's general welfare state efforts. The following section therefore contains a brief outline of the Swedish welfare state model.

### 1.1. The Swedish welfare state model

The Swedish welfare state is highly individualistic. Taxation is since 1971, with some few exceptions, based on the individuals' income. Hence, spouses, even though married, are not jointly taxed. Most transfer systems are individual, including pensions and family related programs such as parental leave. There are no formal rules regulating a family related responsibility for 'adult' children<sup>1</sup> or elderly parents. The main strategy to prevent poverty is to secure income maintenance for the individual in the case of labour market interruptions caused by temporary unemployment spells, sickness, work accidents, etc. All the income maintenance programs are linked to eligibility criteria, demanding labour market participation. A high labour market participation rate and a low unemployment rate are therefore the corner stones of the Swedish welfare state. Hence, activation policies are, and have always been, a central aspect of the Swedish welfare state.

The overarching aim, guiding the Swedish welfare state model, is to include the whole population in a general welfare policy system and as much as possible avoid programs that are specially designed for different more or less vulnerable groups. The firm belief, around which there is a considerable political consensus, is that this policy is highly efficient in alleviating poverty and social exclusion. The crucial question is, of course, if this belief is true or not. The quite extensive literature on comparative social policy research gives a more or less straightforward answer to this question – yes it is a good strategy. Research has repeatedly shown that Sweden, together with the other Nordic countries, has a comparatively low poverty rate and an equal income distribution. Crucial indicators of the consequences of poverty and inequality, for example inequity in health, also confirm a picture of relatively small absolute differences between sections of the population. Now, why should a welfare state not focused on poverty be successful in the fight against poverty? Here the existing research gives, at least, four answers. First, a universal welfare system delivers income security, health care, etc to the whole population. Also the middle class will therefore have vested interests in the quality and generosity of various welfare programs (Svallfors 2002). If more vulnerable groups are covered by the same systems, they will benefit from the same generosity. Second, comparative research has shown that the more generous, and the more universalistic the welfare system is at large, the more generous are the last resort programs and measures that are devoted more exclusively to the poor (Korpi and Palme 1998; 2004; Nelson 2003). Third, it is assumed above that a welfare state that delivers also to the middle class so to say breeds its own support. Recent research has also shown that general support for welfare state measures tend to correlate with a more generous stance towards the poor. Hence, it seems as if

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

support for a general welfare system not only gives the poor a ‘free ride’ it also increases the acceptance of the welfare measures that are selective in relation to certain vulnerable groups (Halleröd 2004). Fourth, social policy program specially designated to the poor tend to be connected with stigmatisation of the recipients. There is therefore a danger that selective social policy efforts generate processes that leads to stigmatisation and social exclusion. Hence, the implementation of a policy specifically designed to fight social exclusion might in the end reinforces the problem it was designed to solve. A more universal welfare state system avoids falling into that trap.

### *1.1.1. The Swedish welfare state – the local level*

The Swedish welfare state is administered at three different levels with different responsibilities. The state is at the central level responsible for social insurances (i.e., public pensions, sickness insurance, unemployment insurances<sup>2</sup>, etc). The state has also, via the labour market board (AMS) the main responsibility for labour market policy. There are two types of local authorities; there is a semi local level consisting of 21 counties (landsting<sup>3</sup>) responsible for health care and a local level with 290 municipalities (kommuner) with an extensive responsibility for the inhabitants in general and specific vulnerable groups, such as children, elderly, handicapped, in particular. The extent to which services is accessible, the quality is of major importance for a large share of the population, not the least sections of the population that traditionally are most exposed to poverty and social exclusion. The municipalities are also responsible for social assistance, which is a means-tested last resort benefit aimed at those who cannot support themselves in any other way. It is the only program of this type within the Swedish welfare state. Thus, social assistance constitutes the ‘floor’ of the Swedish welfare state, with the explicit purpose of securing a minimum economic standard for those who cannot support themselves in any other way. It follows then that the norm for social assistance can be seen as a de facto poverty line (Gustafsson 1984; 2000; Salonen 1993; 2000).

Swedish municipalities are in a comparison with most other countries in EU rather large at the same time as they differ dramatically in size. Stockholm in one end of the spectra has 762 000 inhabitants and Bjurholm in the other end has only 2 575 inhabitants. However, the median value for Sweden’s municipalities is 15 160 inhabitants and the mean value is about 31 000. The municipalities have taxation right and most of their financial means comes from a flat right income tax that usually is somewhat above 30 per cent of the income (the “municipality tax” also covers taxation aimed for the counties at the semi local level). Swedish municipalities are, according to the Swedish constitutional law, self governed, hence, the municipalities has substantial influence over central parts of the Swedish welfare state. However, the fact that the municipalities are legally self governed does not mean that the state cannot influence or even dictate what the municipalities shall or shall not do. Indeed, there is continuing debate regarding the degree to which state regulation undermines the municipalities self governance.

The municipalities has a vast responsibility and the Social Service Act states that it is the municipality that has the ultimate responsibility to make sure that those who stay in the municipality gets the support they need to reach a adequate standard of living (skälig levnadsnivå).<sup>4</sup> More specifically are the municipalities, among other things, responsible for:

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

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

<sup>4</sup> Social Serviv Act, chapter 2, § 2 (Kommunen har det yttersta ansvaret för att de som vistas i kommunen får det stöd och den hjälp som de behöver.)

- Social assistance which is a means tested income support system that falls under the Social Service Act.
- Care for drug abuser, the homeless
- Care and support for disabled
- Care and support to the elderly
- Primary and secondary schools
- Pre schools
- Day care for children
- Child protection

There are mainly two ways that the state can influence the municipalities. First, the state is, via the national parliament, the only political body with legislative power, which gives a substantial influence also over welfare policies that are administered at the local level. Social Service Act, laws that regulates the rights for disabled, the School Law is an example of state regulations concerning activities that falls within the municipalities responsibility. Second, the fact that the state in different way subsidizes welfare policies administered on the local level also provides the state with means to influence policies that formally do not fall under the state's administration. The Swedish NAP 2003 contains a couple of example of this kind of politics, i.e., that the state allocates money to the municipalities that are aimed for special purposes, in this case increasing the number of employed day care centres and primary schools. The logic is that the municipalities can do as they like but if they want the money they have to do as the state tells them. The problem from the municipalities' point of view is first that it might not be the number one priority in all municipalities, second, this kind of state subsidize is directly linked to a specified expenditure and do not help the municipality to balance its budget or redistribute resources within the budget. Another way in which the state set up the frames for the municipalities is that they are forced to have a balanced budget. Thus, it is not allowed for municipalities to accumulate a budget deficit.

There are two underlying processes that lead to an increasing economic pressure on the municipalities. First, the demographic development leads to increasing demand for services, especially elderly care. Second, the municipalities' responsibility has increased over the last decade, largely as an effect of legislative initiative from the state. These initiatives, such as for example strengthening the rights for the disabled, are in most cases linked to economic subsidizes from the state. However, on a general level has the state's subsidizes to the municipalities decreased during the last decade. It is estimated that the annual subsidize from the state has decreased with 13 billions between 1993 and 2004 (Kommunförbundet 2004).

A system in which the municipalities are financed via local income taxation will inevitable lead to big difference between municipalities and there is a risk that municipalities with "a service demanding population", that is a high share of children and elderly in the population and/or a weak labour market also will have a fragile taxation base. Thus, municipalities that are facing a high demand when it comes to services and income support are also in many cases the one that are least capable to meet these demands. The state has in order to even out differences between municipalities decided about a system of income equalization between municipalities, which in short means that municipalities with a strong taxation base has to transfer money to municipalities with a weaker taxation base. The consequence is twofold. First, the economic differences, and therefore also differences in the services that are provided, is minimized. Second, difference in taxation level is fairly limited. That this system is quiet unpopular among the richer municipalities would come as no surprise.

### *1.1.2. Policy impact and involvement of NGOs*

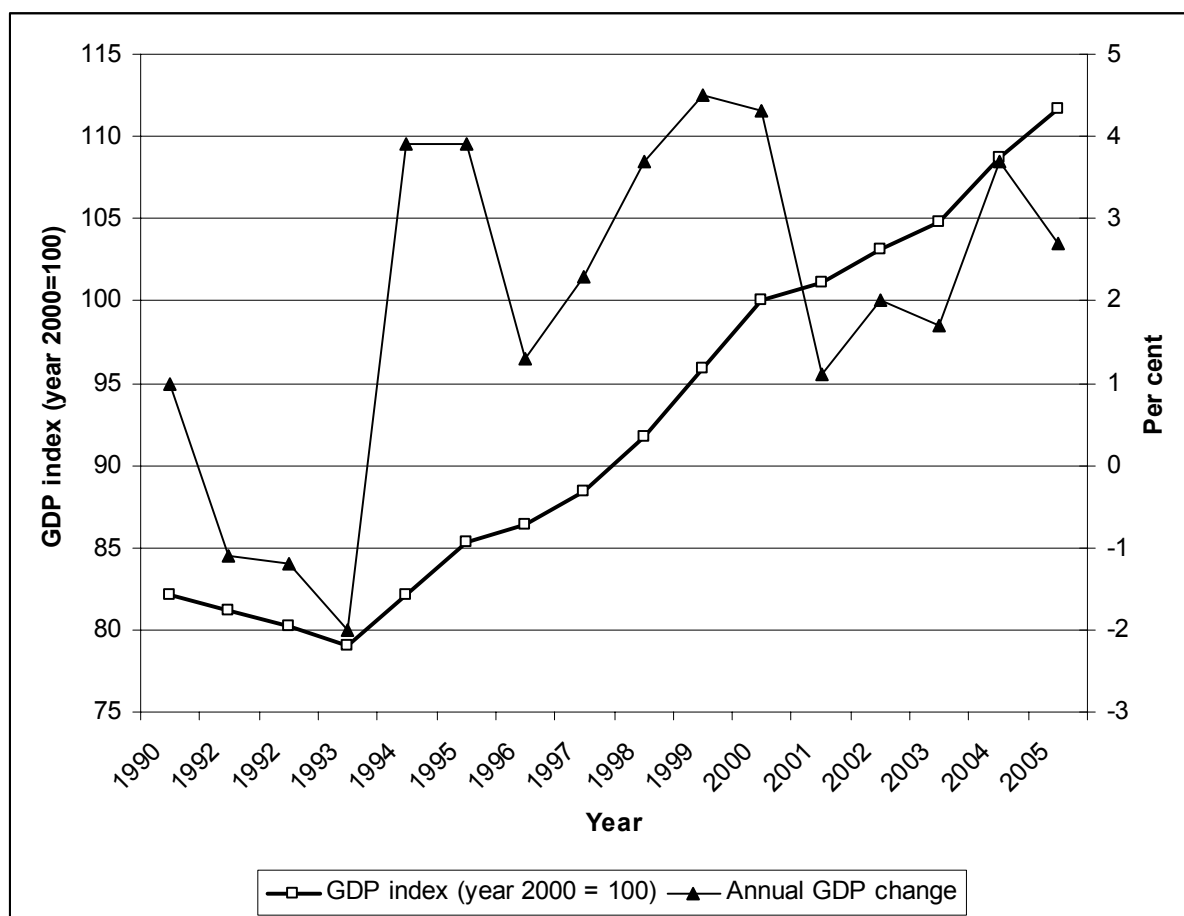
It is obvious when reading the Swedish NAPs on poverty and social exclusion that the policies that is formulated in these documents has very little to do with the initiatives taken on EU level. It is, I guess, fair to say that EU has not affected the Swedish policy in this area in any detectable way. The policy and the specific goals that the government has formulated are strictly related to the national policy arena. The question is of course how it could be otherwise. A modern welfare state is an extremely complicated construction based on a century of stepwise development and formulation of political goal. The least that can be said is that there is a strong 'path-dependency'; every new effort has to be adapted to the existing system, which in turn presupposes a long term well integrated process of policy making. To expect that a specific policy initiative, such as the policy against poverty and social exclusion, should have an immediate impact on national policies is probably not realistic and, I would like to add, not always desirable. However, it is viable that a policy initiative like the one discussed here will have a more long-term impact that slowly changes the way policies are formulated and implemented.

One area where the inclusion policy could have a more direct impact concerns the open method of coordination and the involvements of NGOs in the policymaking. To facilitate the integration of NGOs in the inclusion policy, the Swedish government has made efforts to improve the dialog between different governmental bodies and wide range of NGOs. A network of NGOs has been organized, with the support from the government, in order to coordinate efforts to impact the NAP and the inclusion policy. However, as it seems, representatives from NGOs are not particular satisfied with process during the first step of the NAP/incl process. From their view, the NGO impact on the Swedish NAP has been, at the best, very modest. My view is also that the NOGs, when invited by the government to do so, have not been particularly innovative or capable to make clear their own role in a larger social policy setting. The documents from the NGOs that supplemented the Swedish NAPs have more been a plea for more and better welfare state efforts from the state's side. It is of course the cases that NGOs are interested in affecting the policy outlined by the central government not the least in order to, as one of the representatives for NGOs puts it, 'secure that the humanitarian perspective is not forgotten'. However, the goals that NGOs sets out regarding the policies on a central level do not in any larger extent deviate from mainstream social policy, emphasise being on labour market policy and general social policy (NGO 2001). The crux is that the 'centralistic' viewpoint from a NGO perspective seems somewhat awkward. It is typically on the local level that NGOs has an important role to play as a supplement or collaborator to the public sector. Hence, if NGOs are to join their forces with any public body in the fight against poverty and social exclusion, it is first and foremost the municipalities that constitute the most important public authority to interact with. This is also to some degree what happens, but it is extremely hard to give an overview over what is going on in the interaction between NGOs and public authorities at the local level because it is so diversified (see Report No 2 – 2004).

## **1.2. Macro economic development**

The Swedish growth rate has, after the economic turmoil in the early 1990s, been quiet strong and the average annual GDP growth has since 1994 been almost 3 per cent. However, the economic development was considerably weaker during the first years of the new millennium, which is something that is reflected in the labour market development (see below). In 2004 the growth rate again improved and the Swedish economy did in that year grow with 3.7 per cent only to slow down to 2.7 per cent in 2005. In the spring budget proposal the government estimates GDP growth rate 3.6 per cent for year 2006 and to 3 per cent in 2007. Thus, the government expects 2006 to be the peak in the current business cycle.

Figure 1. GDP per capita (thousand SEK, in year 2000 prices) and annual change in GDP per capita (per cent)



Source: (Statistic-Sweden 2006a; Statistic-Sweden 2006b) See also Table-A 1, appendix 1.

The Swedish general government sector, i.e., central government, state government, local government, and social security funds, did in 2005 show a budget surplus corresponding to 2.9 percentage of GDP. The average surplus over the past six years is 2 per cent of GDP. These figures can be compared with average budget deficit in the EU-15 of 2.3 per cent of GDP in 2005 and an average deficit of 1.7 per cent during the past six years (EUROSTAT 2006d). So, the over all picture of the Swedish economy is currently quite positive, the economy is growing relatively rapidly and public finance are in good shape. The main problem is, as we shall see below, the labour market – the strong economy has not, at least not until very lately, been translated into a higher demand for labour.

### 1.3. Labour market

#### 1.3.1 A new Labour Force Survey

In April 2005 the Swedish Labour Force Survey (LFS) was changed in order to harmonize with EU-standards. Figures for 2005 are therefore not strictly comparable with earlier figures. Two changes makes unemployment figures higher in the new LFS compared to the old one. In the old LFS people was only counted as unemployed if they stated that they were willing to take a job during the reference week, i.e., the week a head of the interview. The new adapted LFS do not have this filter which leads to a somewhat higher unemployment figure. According to Statistic Sweden the abortion of the filter question caused the estimated unemployment rate in April 2005 to rise from 5.3 to 5.8 per cent. Another

change in LFS is that the question “found a job to start later” has been changed so it no covers a four month period instead of one month. Also this leads to a slight increase of the unemployment rate (Johansson 2005).

The effects caused by the adjustment of the Swedish LFS clearly indicate that the Swedish unemployment rate has been underestimated in comparison with other EU-member states. However, the official Swedish definition of unemployment does deviate from EU-standard in yet another significant way. According to EU-definition of unemployment are full time students who are looking for job counted as part of the labour force and as unemployed. This is not the case in the data commonly presented by Statistic Sweden. So, when data from the Swedish LFS presented by Statistic Sweden is used in this report are full time students looking for a job generally not included. Adding this group increases the Swedish unemployment rate with about one percentage as can be seen in the two last columns of Table 1. The recalculation of the Swedish unemployment statistics is done by EUROSTAT for the years 1993 to 2004. In 2005 the calculation is done by myself and has later also been published by EUROSTAT with the added note ‘preliminary’. (EUROSTAT’s figures correspond with the one I have calculated). The difference between Statistic Sweden’s unemployment figure for 2005 and the EU-adjusted calculation is almost 2 per cent. There are two reasons to why the differences between Statistic Sweden’s and EUROSTAT’s figures are much larger in 2005 compared to previous years. First, the change of the LFS causes a larger fraction of full time students to be classified as unemployed. Second, the change of the LFS does among other thing causes the season variation to be larger compared with the old LFS. One reason for that is that students’ labour markets behaviour is season sensitive (Johansson 2005). Because 2005 is the first year that the new LFS is running are all figures presented without season adjustment. Now, what adds to this problem is the fact that the new LFS only covers the three latest quarters of 2005. This holds true for all figures presented from the LFS 2005 below, which hence is yet another reason to be careful when interpreting changes over time. It also means that it has been impossible to update all time series with data from 2005. (It also means that EUROSTAT do not provide all 2005 data for Sweden.) Another change in the new LFS is that people that works or who seeks job outside the country is part of the labour force. The impact on statistics on labour force participation and employment rate because of this change is small. Changes over time should nevertheless be carefully interpreted (Sundström 2005). Another difference between Statistic Sweden and EUROSTAT is that the former uses the population in the 16-64 as base whereas the latter also includes those who are 15 years old. Therefore are the employment rate presented by EUROSTAT somewhat lower than the one presented by Statistic Sweden.

### *1.3.2. Unemployment – an enduring problem*

In 1990 Sweden had a labour force participation rate well above 80 per cent. Unemployment was almost non-existing (just 1.7 per cent), resulting in an employment rate of 83 per cent of the population aged 16-64. The economic turmoil in the beginning of the 1990s unemployment resulted in a rise of the unemployment rate from about two per cent to around eight per cent. At the same time did labour force participation decreased to a level around 77 per cent. As an effect the employment rate went down from 83 per cent in 1990 to under 71 per cent in 1997. The latter part of the 1990s was signified by an economic recovery and an improved labour market. In year 2001, after a number of years with fairly strong GDP increase, had the employment rate reached 75.3 per cent and the unemployment rate was according the Swedish Labour Force Survey 3.9 (and according to EUROSTAT 4.9 per cent). However, since 2001 has the labour market development been less positive and the employment rate has decreased to 72.0 per cent and unemployment has risen to above 5 per cent in the beginning of 2005 (figures for the first quarter of 2005 are season corrected data collected in accordance with the old LFS). Thus, even though the general economic development has been rather favourable is the labour market still sluggish. The new LFS reports somewhat higher figures for labour force participation and

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employment rate during the three last quarters of 2005 but these figures are, as said above, not strictly comparable with the rest of the time series. A crucial question that needs to be addressed is why a relatively strong economic growth has not been converted into improved labour market figures. As it seems Sweden has reach a stage of “jobless growth”.

**Table 1. Unemployment rate, employment rate and labour force participation 1990 – 2004.**

Year	Labour force participation – Statistic Sweden	Employment rate – Statistic Sweden	Unemployment rate – Statistic Sweden	Employment rate - EUROSTAT	Unemployment rate – EUROSTAT
1990	84.5	83.1	1.7		
1992	83.5	81.0	3.0		
1992	81.5	77.3	5.2		
1993	79.1	72.6	8.3	71.3	9.1
1994	77.6	71.4	8.1	70.2	9.4
1995	78.2	72.2	7.7	70.9	8.8
1996	77.8	71.6	8.1	70.3	9.6
1997	76.8	70.7	8.3	69.5	9.9
1998	76.5	71.5	6.5	70.3	8.2
1999	77.2	72.9	5.6	71.7	6.7
2000	77.8	74.2	4.8	73.0	5.6
2001	78.4	75.3	3.9	74.0	4.9
2002	78.0	74.9	4.0	73.6	4.9
2003	78.0	74.2	4.8	72.9	5.6
2004	77.9	73.5	5.6	72.1	6.3
2005 1 <sup>st</sup> quarter*	76.3	72.0	5.3		
<b>2005 2<sup>nd</sup> – 4<sup>th</sup> quarter #</b>	<b>78,6</b>	<b>73,9</b>	<b>6,0</b>		<b>7.8♣</b>

Source: (Statistic-Sweden 2005b) # (Statistic-Sweden 2006c) (EUROSTAT 2006c)

\* Relates to statistics from first five months of the year. Figures are corrected for season variations. # Figures from EU-harmonised Labour Force Survey introduced in Sweden in April 2005. These figures are not adjusted for season variations.

♣ Full time students that are looking for job are added both to the unemployed and the labour force.

Although the Swedish employment rate is far above the goal set by the EES (European Employment Strategy) is the employment rate still below the government’s own goal of having an employment rate of at least 80 per cent in year 2004. Thus, the government has not been able to reach the political goals that were formulated in the late 1990s and included in the NAP:s for 2001 and 2003. Also the unemployment rate is well above the government’s longstanding goal of keeping the unemployment rate below 4 per cent.<sup>5</sup>

The Swedish employment rate was, according to EUROSTAT, 72.1 per cent in 2004, which is clearly above the average for EU-25 as well as EU-15. It was in fact only the Netherlands that had a higher employment rate in 2004. As can be seen in Table 2 is the Swedish employment rate particularly high among women and older workers and especially among older female workers. Table 2 also shows unemployment rate for year 2004 and 2005. In 2004 were the figures for Sweden somewhat below EU-average. In 2005 the Swedish unemployment rate was about the same as the EU-15 average. This change over time is most probably caused by the adjustments made to the labour force survey, which should make the figures more comparable with the rest of the EU. It also means that Sweden occupies place number 13 in the EU “fighting unemployment league”. Figures for long term unemployment, i.e.,

<sup>5</sup> The unemployment goal is not explicitly mentioned in the latest NAP/incl but it is stated in the NAP/emp and in the government’s latest budget proposition.

unemployment that lasts for at least twelve months, are available for year 2004 and shows that long term unemployment is much less common in Sweden compared to EU-average. Thus, it is only when it comes to long term unemployment that Sweden lives up to its reputation of being successful fighting unemployment.

**Table 2: Employment rate 2004, unemployment rate 2004 and 2005 and, long term unemployment rate 2004. Sweden, EU-25 and EU-15.**

	Sweden	EU-25	EU-15
Employment rate -2004	72.1	63.3	64.7
Women	70.5	55.7	56.8
Men	73.6	70.9	72.7
Older workers (55-64)	69.1	41.0	42.5
Women	67.0	31.7	33.2
Men	71.2	50.7	52.2
Unemployment rate – 2004	6.3	9.1	8.1
Women	6.1	10.3	9.3
Men	6.5	8.1	7.2
Unemployment rate – 2005	7.8*	8.7	7.9
Women	7.7*	9.8	8.9
Men	7.9*	7.9	7.0
Long term unemployment - 2004	1.2	4.1	3.4

Source:(EUROSTAT 2006b)

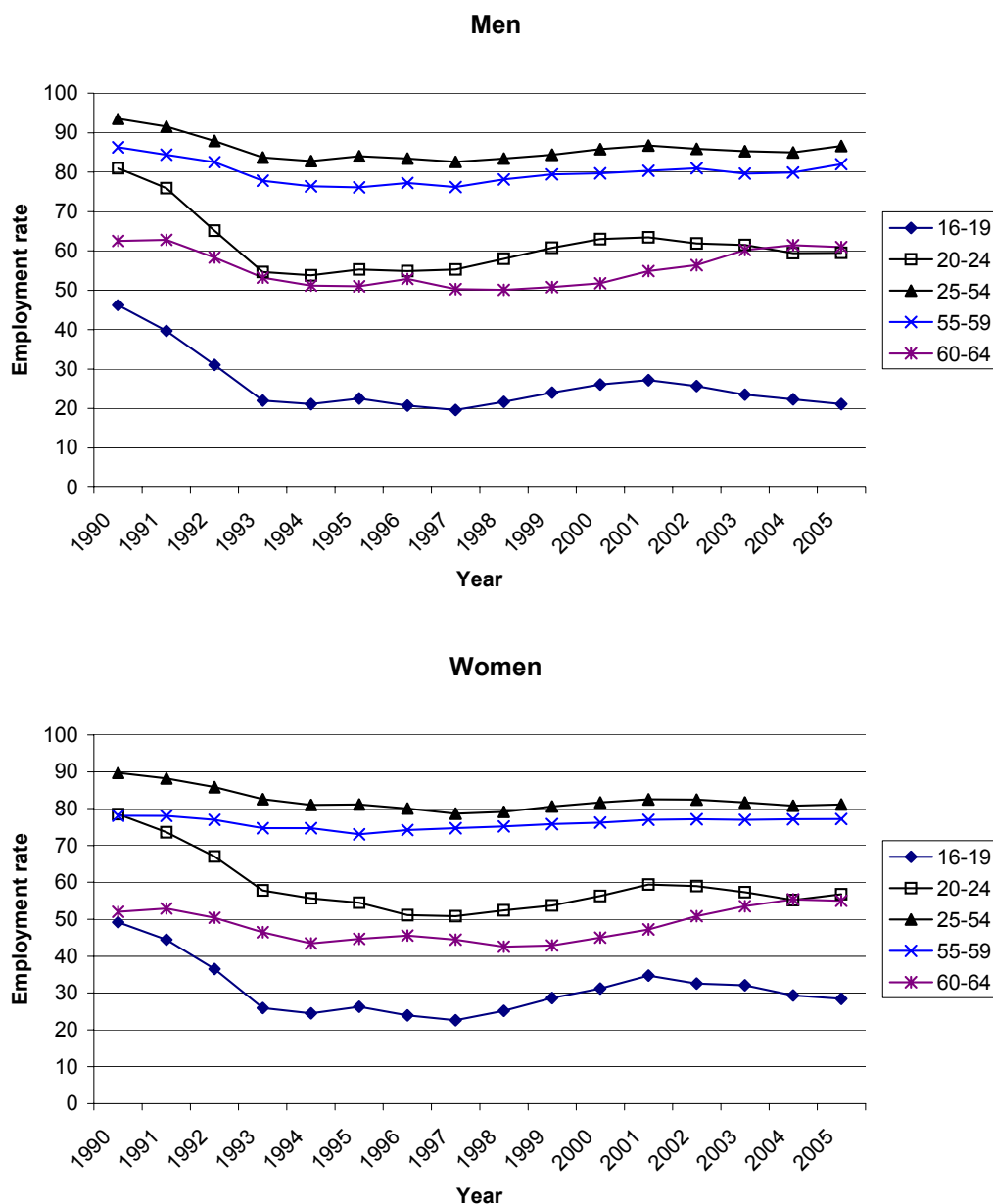
\* Preliminary figures from the adjusted Swedish LFS

### 1.3.3 Disaggregated data based on the Labour Force Survey

The changes in the Swedish LFS make it impossible to add new and strictly comparable time series data. In many cases the time series are not possible to renew at all. The following section is therefore to a large degree a replication from Report No. 1-2005. When available are data from the new LFS added to the time series added. Since these data are not strictly comparable they are generally not comment on in the text.

Figure 2 shows the participation rate among women and men in different age categories. First thing to notice is that women have a lower participation rate than men with the exception of the youngest age group. Women and men do experience the same development over time. A rapid decrease in the beginning of the 1990s is followed by a recovery that is halted in the beginning of the new century and turned into a slight decrease during the last couple of years. There are quite huge differences between age groups. In the prime aged group (here defined as 25 to 54 years of age) is the employment rate for men around 85 per cent (except for the beginning of the period) and for women just above 80 per cent. For the one aged 55 to 60 is the rate about 5 per cent lower compared to the prime aged group. For the oldest part of the 'active' section of the population is the employment rate substantially lower. In 2004 was 61.4 per cent of the men and 55.4 per cent of the women in this age group employed. Despite the fact that the employment rate is lower among the older section of the labour force is the employment rate in this age group in a EU perspective very high. It is also in the oldest age group that the employment rate has fully recovered to 'pre-crisis' levels and when looking at the most recent years it is in this group that we find an increasing employment rate. Among the younger segments of the labour force has the employment rate decreased between 2003 and 2004. The most substantial decrease is found among the young, i.e., among those under the age of 25.

Figure 2. Labour force participation among women and men in different age groups. 1990-2005 (figures for 2005 based on new LFS).



Source: Swedish Labour Force Survey, see also Table-A 4 and Table-A 5, appendix 1

Also in the longer perspective is it clear that the largest employment drop is found among the two youngest age groups. The negative development during the last couple of year also pinpoints the vulnerable situation for young people that are about to establish themselves on the labour market. However, a low employment rate among the young is not necessarily a problem. The proportion of every cohort that goes through secondary and tertiary schooling has increased dramatically during the last decades. Thus, a low employment rate is not only an indication of a weak labour market; it is also an effect of increasing investment in human capital, which in turn is a crucial political goal in itself. It also mean that an employment rate of 80 per cent of the population is a hard goal to meet as long as the

denominator in the equation also includes the section of the population that is supposed to be in education in order to meet the requirements of a knowledge based society.

Analysis based on longitudinal data has shown that shorter spells of unemployment among young people that are about to establish themselves on the labour market hardly has any long term negative effects for the individuals economic situation at all (Halleröd 2001; Halleröd and Westberg 2004), whereas even shorter spells of unemployment clearly is connected to economic problem among the middle aged (Halleröd 2001). Longer spells of unemployment does however have a long standing detrimental impact also among the young (Halleröd 2001; Halleröd and Westberg 2004).

Table 3 displays unemployment by sex, age and duration of unemployment. The table covers the period 1999 to 2004. Unemployment is most common among the young and to some degree among the oldest section of the labour force. In 2004 was 5.9 per cent of the male labour force unemployed, which is an increase with about one and a half percentage compared to 2002. The long term unemployment rate is low but an increase can be seen during the last couple of years. The highest incidence of long-term unemployment was found among the oldest section of the labour force, which probably is due to the fact that unemployment in this age category often is connected to a permanent departure from the labour force (Stattin 1998). Comparing men and women, the main difference is that unemployment is lower among women. Otherwise the pattern looks very much the same.

The most worrying development can be seen among the young. The unemployment level is more than three times as high among those under the age of 25 compared to middle aged section of the population and the increase have been significant between 2003 and 2004. Thus, despite the effort to expand higher education is unemployment rising among the young and we can also see a rise in long term unemployment, i.e., an growing section of the young population are facing unemployment problems that are likely to have a long term negative impact on their life path.

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**Table 3. Unemployment among men and women by year and duration of unemployment. Per cent of labour force. 1999-2004**

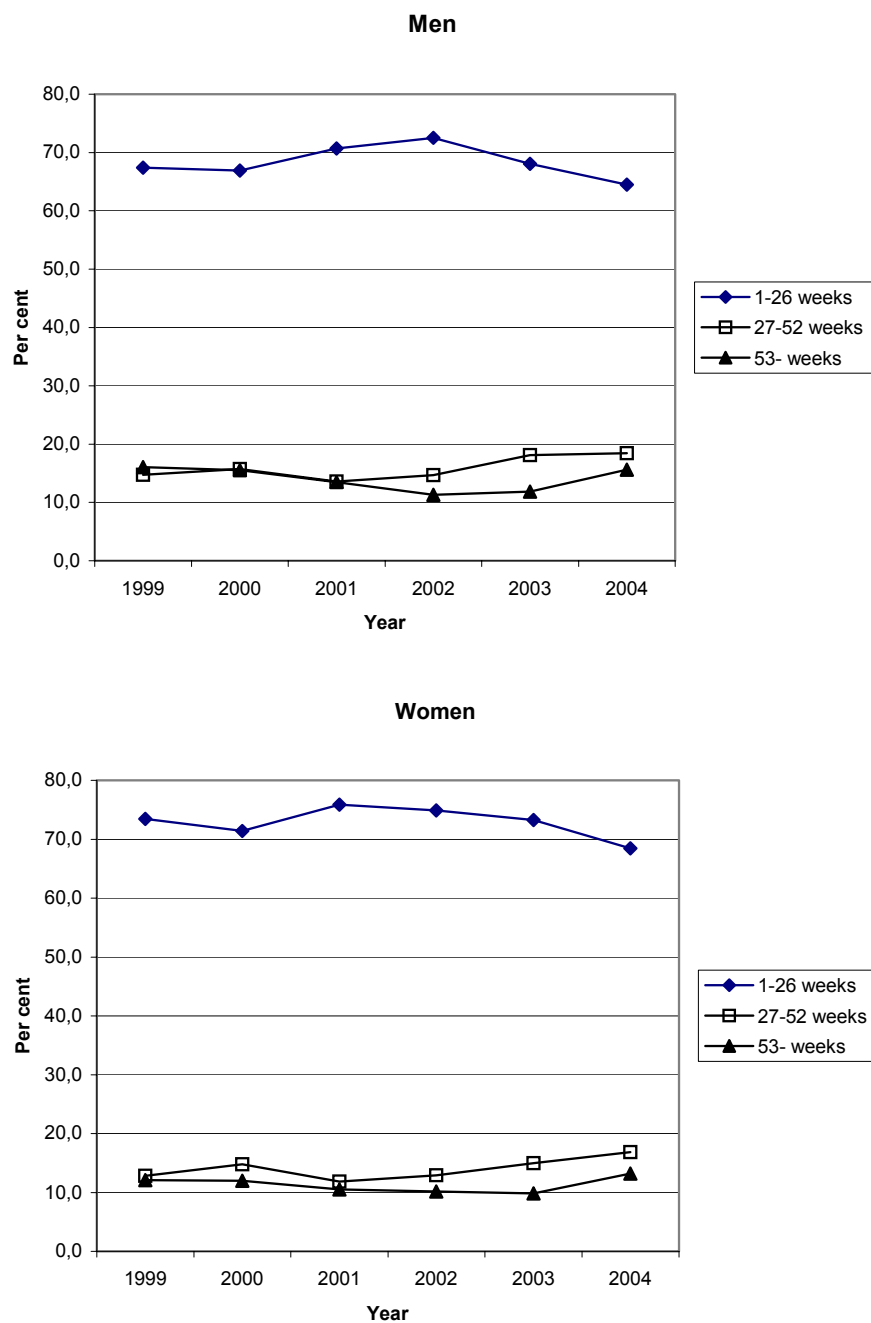
		1999	2000	2001	2002	2003	2004	1999	2000	2001	2002	2003	2004
Age	Number of weeks unemployed	MEN						WOMEN					
16-19	-26 weeks	9.3	9.7	10.4	10.5	11.0	13.8	8.4	8.7	6.6	7.3	9.7	10.2
	27-52 weeks	0.6	0.6	0.5	0.5	0.8	1.7	0.4	0.3	0.3	0.6	0.6	0.6
	53+ weeks	0.0	0.2	0.2	0.0	0.2	0.4	0.0	0.2	0.0	0.2	0.3	0.3
	Total	10.0	10.4	10.9	11.0	12.1	15.3	8.8	9.2	6.9	8.1	10.5	11.1
20-24	-26 weeks	8.9	6.6	7.3	7.9	9.0	10.6	8.3	5.9	6.0	5.9	7.2	8.9
	27-52 weeks	1.2	0.8	0.7	1.2	1.6	1.9	0.8	0.5	0.5	0.8	0.8	1.5
	53+ weeks	0.5	0.7	0.5	0.4	0.6	0.9	0.7	0.3	0.3	0.5	0.4	0.8
	Total	10.5	8.0	8.5	9.4	10.9	12.9	9.7	6.7	6.7	7.2	8.4	11.0
25-34	-26 weeks	4.4	3.6	3.0	3.5	4.1	4.4	4.9	3.9	3.3	3.5	4.4	4.7
	27-52 weeks	0.9	0.7	0.5	0.6	1.1	1.2	0.8	0.8	0.4	0.4	0.8	1.2
	53+ weeks	0.5	0.4	0.3	0.2	0.5	0.9	0.5	0.3	0.2	0.2	0.4	0.6
	Total	5.8	4.7	3.9	4.4	5.7	6.4	6.5	5.1	4.1	4.3	5.8	6.4
35-44	-26 weeks	3.5	2.7	2.6	2.5	3.1	2.9	3.5	2.8	2.4	2.3	2.6	3.1
	27-52 weeks	0.9	0.6	0.6	0.6	0.9	1.1	0.6	0.6	0.4	0.4	0.7	0.8
	53+ weeks	0.9	0.6	0.5	0.4	0.4	0.7	0.5	0.4	0.3	0.3	0.5	0.7
	Total	5.3	4.0	3.7	3.4	4.4	4.6	4.7	3.8	3.1	3.1	3.8	4.5
45-54	-26 weeks	2.6	2.4	2.0	2.0	2.3	2.3	2.3	1.8	1.5	1.4	1.7	1.9
	27-52 weeks	0.6	0.8	0.6	0.5	0.8	0.7	0.5	0.5	0.3	0.4	0.5	0.6
	53+ weeks	1.1	0.8	0.5	0.5	0.6	0.9	0.5	0.4	0.3	0.2	0.3	0.6
	Total	4.4	4.1	3.0	3.0	3.8	3.9	3.3	2.7	2.1	2.0	2.6	3.0
55-59	-26 weeks	3.2	2.8	1.9	2.0	2.2	2.2	2.0	2.0	1.6	1.6	1.7	1.5
	27-52 weeks	1.0	1.0	0.5	0.7	1.0	1.1	0.7	0.9	0.7	0.4	0.6	0.7
	53+ weeks	1.5	1.2	0.9	0.9	1.0	1.4	1.1	0.9	0.7	0.5	0.5	0.7
	Total	5.7	5.1	3.4	3.6	4.1	4.6	3.9	3.8	3.0	2.6	2.8	2.9
60-64	-26 weeks	3.5	3.4	3.2	2.9	2.9	2.5	3.6	2.1	2.8	2.4	2.4	2.0
	27-52 weeks	2.0	1.9	1.3	1.0	1.3	1.6	1.9	1.7	1.1	0.8	0.9	1.4
	53+ weeks	2.9	3.4	2.6	2.2	1.8	2.1	2.7	2.9	1.8	1.7	1.1	1.6
	Total	8.1	8.2	7.0	5.9	6.0	6.0	7.9	6.5	5.6	4.7	4.5	5.0
All	-26 weeks	4.1	3.4	3.1	3.2	3.7	3.9	3.9	3.1	2.8	2.7	3.2	3.6
	27-52 weeks	0.9	0.8	0.6	0.7	1.0	1.1	0.7	0.7	0.4	0.5	0.7	0.9
	53+ weeks	1.0	0.8	0.6	0.5	0.7	1.0	0.7	0.5	0.4	0.4	0.4	0.7
	Total	5.9	5.0	4.3	4.4	5.3	5.9	5.2	4.3	3.6	3.6	4.4	5.1

Source: Statistic Sweden – Swedish Labour force survey

Figure 3 shows all unemployed, separately for men and women, divided by unemployment time. Around 70 per cent of all unemployed men and above 70 per cent of all unemployed women were unemployed less than 27 weeks. The fraction that were unemployed for 27 to 52 weeks and the fraction that were unemployed for more than a year varied between 10 to 20 per cent (for each category) during the period. Long term unemployment was, and is, a larger problem for men than for women. For both men and women is the fraction that suffers from long term unemployment increasing over time. Thus, during the last couple of years have unemployment been rising and the share of the unemployed that are long termed unemployed has increased.

**Figure 3: Unemployed divided by unemployment time, men and women 1999 – 2004**

Source: Statistic Sweden – Swedish Labour force survey



### 1.3.4 Immigrants and the labour market

In 2002 almost 12 per cent of the Swedish population consisted of people that were born outside the country, which is one of the highest figures within the EU (Integrationsverket 2004; SCB 2003).<sup>6</sup> Even

<sup>6</sup> Almost 12 per cent of the population that was in the same year born in Sweden but had at least one parent that was born abroad.

though the difference in employment rate between immigrants and native born has decreased since the mid 1990s is the employment rate still significant lower among immigrants. The Swedish Integration Board has shown that the ratio between the employment rate for immigrants and for native born is one of the lowest in the EU. Other countries that have about the same ratio as Sweden are Belgium, Denmark, France and the Netherlands. A central explanation for the bad performance of these countries is that the proportion of refugees among the immigrant is high. Countries with a larger share of labour force immigrations are quite obviously doing better. However, that does not overshadow the fact that the relatively low employment rate among immigrants is a problem both for the immigrants themselves and for the country as a whole.

**Table 4. Employment rate for native born Swedes and immigrants. Ratio showing the relative difference in employment rate 1990 - 2005**

Year	Native born men	Immigrants men	Ratio* men	Native born women	Immigrants women	Ratio* women
1990	89.7	79.2	88.3	84.8	72.8	85.8
1991	86.7	72.4	83.6	83.2	66.5	79.9
1992	82.6	67.2	81.3	80.4	62.6	77.9
1993	78.1	60.7	77.7	77.2	57.0	73.8
1994	78.4	60.3	76.9	76.7	54.5	71.0
1995	80.0	59.3	74.1	76.5	51.5	67.2
1996	79.1	57.4	72.6	76.1	52.2	68.6
1997	78.9	58.3	73.8	75.3	51.9	69.0
1998	80.6	60.5	75.0	76.0	54.4	71.6
1999	81.0	62.8	77.5	77.0	56.3	73.1
2000	82.5	69.0	83.7	78.2	58.7	75.1
2001	82.4	68.9	83.6	78.9	59.7	75.6
2002	81.9	67.7	82.6	78.8	60.1	76.3
2003	81.7	66.1	80.9	78.1	59.0	75.6
2004	81.3	65.5	80.5	77.7	57.8	74.4
2005#	83.3	67.5	81.0	78.1	61.0	78.1

Source: (Swedish-Integration-Board 2006)

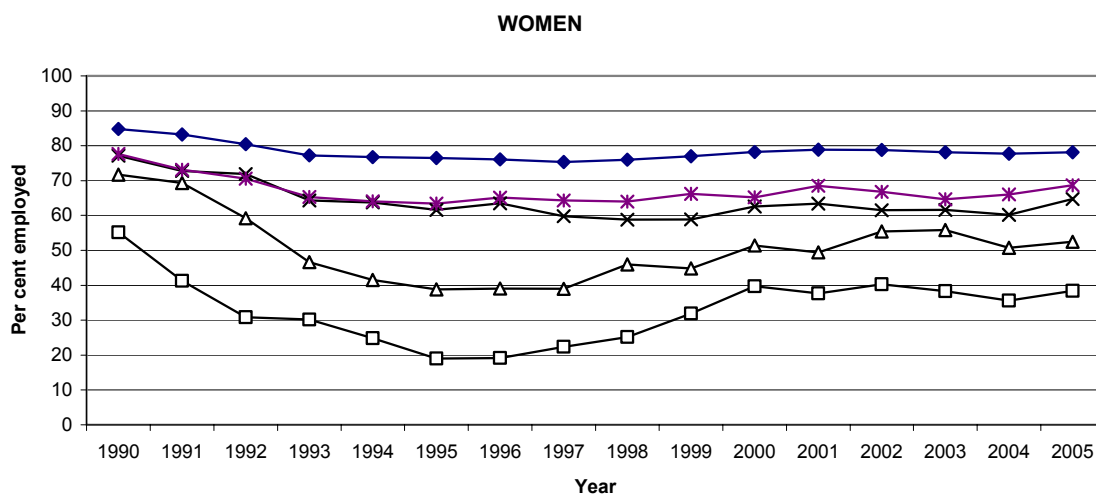
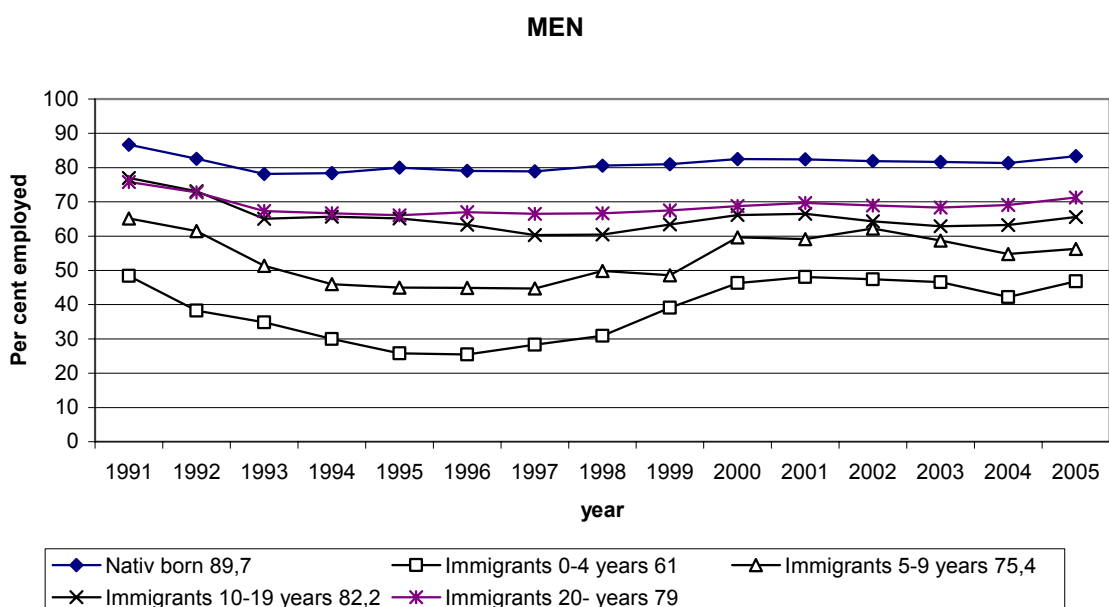
\* Employment rate for immigrants divided by employment rate for native born multiplied by 100.

# Figures from new LFS not entirely comparable with previous years

It is wrong to picture immigrants as one homogenous category. One important difference within the group is the number of years they spent in the host country. Figure 4 show that all immigrants have lower labour market participation than native born Swedes. It is also clear that there is a gradient depending on years spent in Sweden. It is also apparent that changes over time have been much greater among newly arrived immigrants, showing their vulnerable labour market situation. Especially newly immigrated women have a low employment rate.

The low employment rate is not only a problem for the immigrants themselves; it is also a waste of resources for the country as whole – valuable labour force resources are not utilised. Another problem is that the immigrants' skill and education is not utilised in an optimal way among immigrants with a job. The education level among immigrants is about the same as among the native born section of the population but immigrants do nevertheless occupy job positions with lower skill requirements compared to native born Swedes. Among immigrants with university education are only 60 per cent occupying a job that requires academic education. The corresponding figure among native born Swedes is about 80 per cent (Integrationsverket 2004). Thus, the combination of low employment rate and low utilisation of available human capital among immigrants is not only an integration problem; it is also an economic allocation problem.

Figure 4. Employment rate among native born and immigrants (age 16-64) grouped after years since arrival to Sweden 1990-2005



Source: (Swedish-Integration-Board 2006), See also Table-A 4, Appendix 1. OBSERVE that figures for 2005 are based on the new adjusted labour market survey.

The most common way to explain the poor labour market performance among immigrant relays on 'supply side' arguments, i.e., immigrants lacks the necessary human capital to be able to compete with native-born Swedes. Research has also shown that accumulation of human capital, education, language skill, etc does improve immigrants' chances on the labour market. It is also clear that time spent in Sweden, which can be seen as an indicator of accumulation of 'Sweden specific' skills, is positively correlated with labour market performance. However, it is not the case that human capital completely can explain the low employment rate and high unemployment rate among immigrants. Hence, to fully understand why immigrants are disadvantage one has to change focus from the supply side to the 'demand side', i.e., to the selection mechanisms among employers. To evaluate if, and in that case, to what degree ethnic discrimination is a part of the explanation to immigrants' labour market difficulties is complicated. There are, however, some studies that make it likely that discrimination is a part of the problem. It has for example been shown that Swedes that has been adopted as children and

therefore has an un-Swedish look do find it more difficult to get a job compared to 'Swedish-looking Swedes'. It is hard to explain such an outcome as being anything else than discrimination related to skin colour (Integrationsverket 2003). In its latest report The Swedish Integration board pinpoints three causes to why immigrants, especially those who have immigrated relatively recently, are more vulnerable to changes in the economy. First, people with temporary employment contracts are the ones to be laid off first when an employer needs to reduce the labour force. Since immigrants are overrepresented among those with temporary employment contract are they also, as a group, more vulnerable. Second, for those with a more stable employment contract, i.e., a post with conditional tenure, is the general rule, according to labour market regulations, that those who have been employed the shortest time are laid off first. Again are newly arrived immigrants overrepresented in the most exposed group. Third, even in cases when immigrants have the same employment time and conditions as native born Swedes do they suffer from a higher risk of being laid off, which is another indicator of a more fundamental discrimination of immigrants on the Swedish labour market.<sup>7</sup>

#### 1.4. Income and poverty

Income statistics for 2004 will be published by Statistic Sweden late May or early June. Hence, it has not been possible for me to update the time series in this report. This section is therefore almost identical with the income and poverty section in Report No.1-2005.

Report No 1:2003 contains a discussion about the definition and measurement of poverty. There is no need to repeat that discussion here, only to make it clear that poverty is defined in accordance with EU practice. That is, an individual is poor if she or he lives in a household with an equivalent disposable income that is below 60, or in some cases 50, per cent, of the median income in the member state.

The first four rows of Table 5 show the mean / median equivalent disposable income, henceforth referred to as **income standard**, for all households from 1996 to 2002. The first section of the table is based on the total income, while the second part excludes capital gains. Income standard has increased over time, an increase boosted by capital gains, especially during year 1999 and 2000. The fact that the mean income standard is falling between 2000 and 2001 is attributable to the gloomy development on the stock market and decreased capital gains. Capital gains also results in temporal changes of the Gini-coefficient, especially notable for year 2000. It is also clear that the recent change towards greater equality, according to Gini coefficients, is related to decreasing capital gains. Excluding capital gains leads to an admittedly lower and more stable Gini coefficient. When it comes to the most recent development it can be noted that the income increase was halted in 2003, a year when the Swedish households' did not experience any strengthening of their income standard.

The increase in poverty that could be observed in the beginning of the decade was also halted in 2003. It is of course to early say whether this is temporal change or a new trend. What we can see is that the lower poverty rate is not related to a higher income standard in the lowest income decile.

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<sup>7</sup> Employers negotiate with the unions for exemptions from the basic rule 'last hired, first to go' when reducing the number of employees. This is frequently being done.

**Table 5. Mean and median income standard (equivalent disposable income, 1000/SEK, 2003 prices), gini-coefficients, ratio between mean income standard decile 10/decile 1, poverty rate 1996-2003.**

	1996	1997	1998	1999	2000	2001	2002	2003
<b>Income standard – capital gains included</b>								
Median	120.9	122.7	125.7	131.4	138.4	142.8	146.7	147.3
Mean	132.9	139.4	140.8	149.9	165.3	162.4	165.5	165.5
Mean income: lowest decile	56.1	59.0	59.7	59.7	62.9	66.1	67.8	67.7
Change of mean income standard since previous year		4.9	1.0	6.5	10.3	-1.8	1.9	0.0
Change of income standard (%) in lowest decile since previous year		5.2	1.2	0.0	5.4	5.1	2.6	-0.1
Gini	0.238	0.254	0.242	0.261	0.295	0.263	0.258	0.254
Ratio 10 <sup>th</sup> / 1 <sup>st</sup> income decile	4.4	5.3	5.0	5.7	6.8	5.6	5.4	5.3
Poverty < 50% of median inc.	4.1	3.8	4.0	4.3	4.7	4.4	4.8	4.4
Poverty < 60% of median inc.	8.6	8.4	8.1	8.2	9.2	9.4	9.8	9.0
<b>Income standard – capital gains excluded</b>								
Median	118.8	120.9	123.8	128.5	134.8	140.8	155.5	145.4
Mean	127.9	131.8	135.4	140.2	149.9	154.7	158.3	158.6
Mean income: lowest decile	54.4	57.6	58.0	57.9	61.4	65.4	64.7	65.1
Change of mean income standard since previous year		3.0	2.7	3.5	6.9	3.2	2.3	0.2
Change of income standard (%) in lowest decile since previous year		5.9	0.7	-0.2	6.0	6.5	-1.1	0.6
Gini	0.221	0.223	0.227	0.230	0.244	0.239	0.239	0.234
Ratio – 10 <sup>th</sup> / 1 <sup>st</sup> income decile	4.5	4.4	4.6	4.8	5.1	4.8	4.9	4.8

Source: Income distribution survey 2003

Table 6 shows the poverty rate by household type and age. First thing to notice is the difference between women and men. A considerably larger fraction of single adult women are poor compared to single adult men. The difference is attributable to three different processes. First, young women without children are more exposed to poverty than young men. A possible partial explanation is that a higher proportion of young women are attending higher education. Second, older women living in single adult household are more often poor than men in the same situation. The main explanation here is that women's earnings related pensions are lower, if existing at all, compared to that of men. Third, in year 2003, almost a fourth of all single women with children fell below the poverty line. The corresponding figure among men was about one tenth. However, even though the poverty rate among single women is relatively high is it far from the level, 27 per cent, reported by EUROSTAT, a figure that, because of the large deviation from other statistical sources, is hard to believe.

SWEDEN

**Table 6. Poverty rate (< 60 per cent of median income standard) by household type and age 1996-2001 (individuals 20- years old)**

	1996	1997	1998	1999	2000	2001	2002	2003
<b>Single adult – Women</b>	<b>10.1</b>	<b>10.8</b>	<b>11.3</b>	<b>11.6</b>	<b>16.5</b>	<b>16.5</b>	<b>16.2</b>	<b>14.5</b>
Aged 20-29, no children	19.7	18.8	21.2	20.4	24.3	25.1	25.8	19.5
Aged 30-49, no children	6.0	7.1	5.0	5.9	6.9	7.0	8.2	9.0
Aged 50-64, no children	1.8	1.7	4.9	4.3	4.7	5.1	6.0	6.7
Aged 65-74, no children	4.7	5.1	8.0	9.2	13.4	16.0	9.8	7.0
Aged 75-, no children	9.8	11.4	11.9	14.2	22.4	23.4	20.4	17.2
With child(ren)	17.4	19.0	16.0	13.3	19.0	21.1	24.1	24.1
Others	9.4	8.1	6.2	9.3	12.8	7.6	12.9	10.9
<b>Single adult – Men</b>	<b>10.8</b>	<b>10.5</b>	<b>11.3</b>	<b>9.8</b>	<b>11.6</b>	<b>12.8</b>	<b>12.6</b>	<b>12.3</b>
Aged 20-29, no children	19.5	18.0	20.3	15.8	19.0	18.3	25.6	21.1
Aged 30-49, no children	8.5	9.1	9.5	8.5	8.5	10.9	8.0	11.1
Aged 50-64, no children	7.8	6.6	8.6	7.7	8.3	10.5	6.6	8.1
Aged 65-74, no children	2.3	6.0	4.4	7.4	7.3	9.4	10.8	11.3
Aged 75-, no children	7.3	8.6	11.4	8.9	15.1	14.3	14.3	9.9
With child(ren)	13.2	10.2	8.3	8.9	9.6	12.9	9.2	10.6
Others	11.5	8.8	4.0	6.6	12.1	9.5	10.5	8.0
<b>Married / cohabiting</b>	<b>5.0</b>	<b>4.7</b>	<b>4.4</b>	<b>4.8</b>	<b>4.8</b>	<b>4.5</b>	<b>4.9</b>	<b>4.4</b>
Aged 20-29, no children	3.6	3.7	4.7	2.6	3.1	3.4	4.4	3.4
Aged 30-49, no children	3.0	2.4	2.3	2.5	3.6	1.0	2.3	1.7
Aged 50-64, no children	2.9	2.2	2.1	2.2	2.5	2.4	2.4	2.6
Aged 65-74, no children	1.9	1.9	1.6	2.3	3.9	3.7	2.6	2.6
Aged 75-, no children	1.9	2.2	3.3	4.9	5.1	6.0	5.7	3.2
With 1 child	8.0	7.7	7.0	7.4	6.6	6.5	7.2	6.6
With 2 children	4.3	4.6	4.9	5.1	4.4	3.5	4.8	4.9
With 3+ children	16.4	16.5	13.8	14.8	12.1	14.5	13.8	13.0
Others	3.1	1.8	1.1	2.5	2.9	2.1	3.2	2.5
<b>All individuals age 20 –</b>	<b>6.9</b>	<b>6.8</b>	<b>6.9</b>	<b>7.0</b>	<b>8.2</b>	<b>8.3</b>	<b>8.6</b>	<b>7.7</b>

Source: Income distribution survey 2003

Looking at women living single adult households, the last year's trend towards an increased incidence of poverty is halted in 2003. It is still too early to judge if this represents a more long term change or if it is just a temporary flux. The poverty rate for single men is lower compared to women and the poverty rate is also more stable over time. Among couples there is no sign of an increasing incidence of poverty. So, the conclusion is that the poverty rate is stable in all household categories except among women living in single adult household. Worth to emphasize is also that the poverty rate is highest among single women with children and elderly single women followed by elderly single men, couples with three or more children and thereafter single men with children. Thus, a substantial part of all children are living in poverty, a problem that has been highlighted during the last couple of years and which has caused the government to issue an investigation about children in economic vulnerable situations.

Looking at poverty by country of origin reveals differences that in many respect reflects what was shown above regarding the labour market. There is a firm distinction between native-born Swedes, Nordic immigrants and EU15+6 on the one hand and other immigrants on the other hand. There are some peculiar differences in the time series that are very hard to understand. At this moment, no explanations to sudden jumps in the time series can be offered besides the fact that there are few individuals in these categories. Hence, what we see is probably a "small n problem".

**Table 7. Poverty rate (< 60 per cent of median income standard) by country of origin 1996-2003 (individuals 20- years old)**

	1996	1997	1998	1999	2000	2001	2002	2003
Native born Swedes	5.8	5.7	5.6	5.9	7.0	7.0	7.2	6.4
Immigrants	15.3	15.6	15.2	13.7	14.7	15.1	18.2	17.2
Nordic immigrants	7.1	6.3	5.7	5.2	7.4	8.5	8.7	8.4
Years in Sweden: 1-10	28.2	16.5	14.1	13.9	17.8	18.4	16.3	19.4
11-20	5.6	15.5	16.0	9.8	16.1	18.1	17.8	15.5
21-	4.4	3.8	3.4	4.2	5.5	7.0	6.9	6.7
EU15+6 immigrants <sup>1</sup>	11.9	9.4	9.3	7.5	8.7	7.5	11.1	11.6
Years in Sweden: 1-10	19.6	27.4	30.9	9.9	9.2	22.2	16.5	17.8
11-20	29.7	5.1	5.9	10.7	22.5	10.0	9.9	3.0
21-	6.0	5.3	4.6	6.5	6.6	4.0	9.7	11.3
Other countries	22.3	23.4	21.0	21.2	21.3	21.7	24.1	22.6
Years in Sweden: 1-10	30.5	32.4	35.3	33.3	33.4	35.1	34.1	32.6
11-20	19.7	20.2	18.6	16.7	18.6	21.8	23.5	19.8
21-	7.2	8.0	9.7	10.5	9.1	10.1	11.3	13.0
<b>All households aged 18-</b>	<b>6.9</b>	<b>6.8</b>	<b>6.9</b>	<b>7.0</b>	<b>8.2</b>	<b>8.3</b>	<b>8.6</b>	<b>7.7</b>

1) EU15 + Australia, Japan, Canada, New Zealand, Switzerland and USA.

Source: Income distribution survey 2003

The time immigrants have spent in Sweden has a major impact on the poverty rate. Among the newly arrived more than one third are poor, a figure that is down by almost fifty per cent among those who been in the country between 11 and 20 years and further reduced down to about 10 per cent among those who lived in Sweden for more than 20 years. Worth to notice is that also in the group that has lived in Sweden for at least 20 years is the poverty rate clearly higher than among native born Swedes. One possible explanation is that the labour force immigrants from the 50s and the 60s have started to retire from the labour market and, hence, increasingly have their incomes from pensions, which would indicate that we actually observe an age effect not an immigrant effect. However, research has shown that immigrants have great difficulties to achieve an income level that is comparable with native born Swedes regardless of how long time they have lived in Sweden (Edin, Fredriksson, and Åslund 2000; Rashid 2004)

As can be seen in Table 8 there is a clear socio-economic class gradient looking at the distribution of poverty. By year 2003 almost four percent of the blue-collar workers had an income standard below the poverty line. The corresponding figure for higher white-collar workers was less than one per cent. The poverty rate among employed has since 1996 been stable and by any comparison on a very low level. The situation is radically different among the self employed and even though the poverty rate has been decreasing since 1996 are almost 15 per cent of the self employed poor in year 2003. However, there is a large degree of uncertainty regarding the extent to which registered incomes among self-employed correspond to the actual ability to consume goods and services. It is not to say that poverty is non-existing among self-employed only that the figures presented in Table 8 overestimate the problem. Studies of poverty using more direct indicators such as actual consumption of goods and services and the incidence of economic problems making ends meet tend to show that economic hardship among self employed is less prevalent than among blue collar workers (Halleröd 1997a; Halleröd 1999; Halleröd et al. 2005).

**Table 8. Poverty rate (< 60 per cent of median income standard) by labour market status 1996-2003. Population aged 20-64**

	1996	1997	1998	1999	2000	2001	2002	2003
	3.9	3.8	3.4	3.6	3.5	3.8	4.0	3.6
Employed								
Blue collar worker	2.5	3.0	2.7	3.0	2.7	3.3	4.6	3.7
Lower white collar worker	1.7	1.7	1.4	1.5	1.3	1.9	1.8	1.4
Middle range white collar worker	1.5	0.9	0.9	1.5	1.3	1.3	1.7	1.3
Higher white collar worker	0.6	0.6	1.0	0.7	0.4	0.7	1.3	0.8
Self employed (including farmers)	20.2	18.7	15.1	16.2	15.5	16.4	12.6	14.7
Others	7.1	7.6	11.0	10.7	13.3	9.7	11.5	9.6
Not employed	15.9	15.0	15.7	14.8	15.7	16.9	19.3	19.4
Students	19.6	21.4	22.8	18.8	21.7	25.1	29.7	27.3
Unemployed, sick, pensioners <sup>1</sup>	9.1	7.6	6.6	6.3	7.0	7.4	8.7	9.1
Others	40.2	36.2	40.0	44.7	44.8	48.0	50.4	57.1
<b>All households aged 20-64</b>	<b>7.1</b>	<b>6.8</b>	<b>6.8</b>	<b>6.6</b>	<b>6.6</b>	<b>7.0</b>	<b>7.8</b>	<b>7.6</b>

<sup>1</sup> Households where the reference person's annual income from pension, sickness insurance, unemployment insurance makes up more than 50 per cent of the annual labour market income

Source: Income distribution survey 2003

The category "employed others" consists of those engaged on the labour market in one way or another, but not possible to classify in any reliable way. The fact that the poverty rate in this group has increased since 1996 is worrying and in need of a more thorough investing. The same goes for the not employed, here the poverty rate among "others" increases from 40 per cent in 1996 to almost 60 per cent in 2003. The other thing to be observed among the not employed is the relative low and stable poverty rate among those whose social insurance income makes up more than 50 per cent of their income. Students are facing an increasingly difficult situation and the poverty rate has risen substantially since 1996.

It can finally be worth to comment very high poverty figures among the young and among students (which of course to a large degree are the same individuals). Recent analysis utilizing longitudinal data has shown that it is dubious to use information about young peoples' labour market affiliation and economic situation as predictors of their future income and future exposure to economic hardship. As it seems, young people's economic situation do not say very much about their current standard of living or future earning ability. If anything, low income and deprivation when it comes to consumption of goods and services among the young is a predictor of substantial future income growth, which in turn reflects the fact that a large fraction of youths with low income are students or in a stage where they are about to establish themselves on the labour market. Thus, there are good reasons to be sceptical regarding far reaching conclusion based on analyses of young people's income situation and the incidence of income poverty among the young (Halleröd and Westberg 2004).

#### 1.4.1. Social assistance

Social assistance plays a crucial role in the Swedish Welfare state as the last safety net, designed to step in and provide the necessary resources so that everyone can achieve a minimal economic standard also in the cases when all other income systems (labour market, income maintenance etc) has failed. The number of recipients, the amount of support each recipient receives and the duration that assistance is paid are therefore important indicators of the extent to which people have economic problems. Reducing the dependency of social assistance has therefore been one of the goals set up in the government's NAPs. More precisely was the goal set to reduce the dependency of social assistance by 50 per cent between year 1999 and 2004. The yardstick against which this goal shall be evaluated is

called 'full year equivalents'. A full year equivalent represents an individual that during one whole year has social assistance as their only income source. Hence, the calculated number of full year equivalents is dependent on the number of people that receives assistance, the time during which they receive assistance and the amount they receive. As can be seen from Table 9, the number of full year equivalents has dropped with about 25 per cent between year 1999 and year 2003 but in 2004 a small increase can be seen. Hence, even though substantial progress has been made the government has not reached its goal. The Government has not ordered Statistic Sweden to calculate full year equivalents for year 2005. Hence, when failing to reach the goal the government halts the production of the statistics necessary to monitoring the policy. As is discussed below, full year equivalents are used to calculate the total dependency on different social policy programs, which makes it very useful because it detects if a decreased dependency of one program only results in an increased dependency on another program. The government decision not to calculate full year equivalents does of course also affect this vital information.

**Table 9. Per cent of population and households receiving social assistance. Mean value for the number of months assistance has been received, total costs and full years equivalents. 1990-2001**

year	Per cent of the population	Per cent of households	Number of months of received social assistance	Total costs, 2004 prices (1000 SEK)	Full years equivalents
1990	5.7	7.5	4.3	6 349	71 718
1991	5.9	8.3	4.4	6 933	74 191
1992	6.5	9.0	4.6	8 417	88 128
1993	7.4	9.7	4.8	9 986	106 138
1994	7.9	10.2	5.1	11 541	123 472
1995	7.8	9.9	5.4	11 814	118 288
1996	8.2	10.3	5.7	12 945	134 144
1997	8.1	10.3	5.8	13 394	140 509
1998	7.4	9.3	5.8	12 397	129 200
1999	6.6	8.2	5.8	11 303	115 220
2000	5.9	7.2	5.8	10 192	100 879
2001	5.3	6.4	5.7	9 099	91 157
2002	4.9	6.0	5.8	8 728	86 122
2003	4,7	5,9	5,6	8 307	85 164
2004	4,6	5,9	5,7	8 687	87 997
2005				8 554	

Source: Socialstyrelsen (2005), Statistic Sweden (Socialstyrelsen 2006)

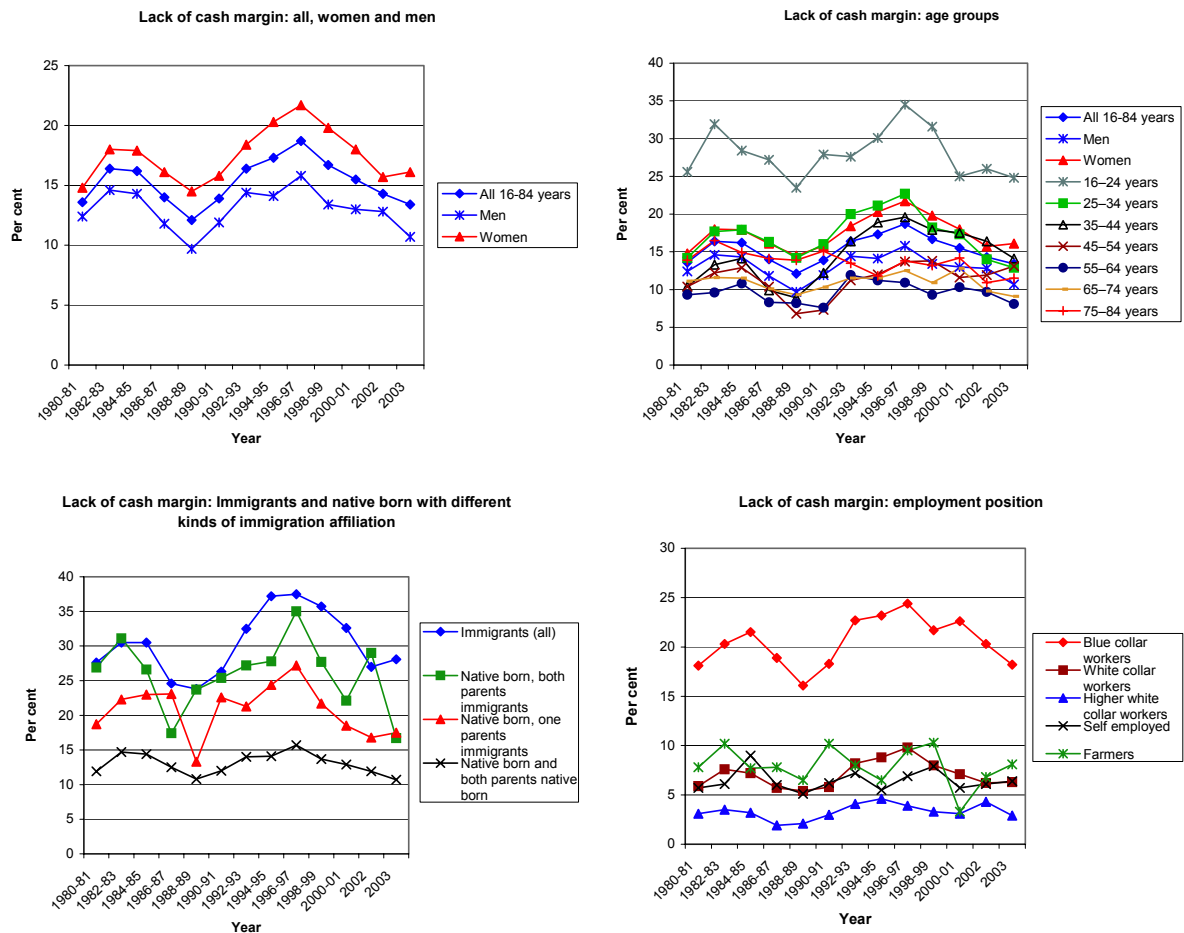
#### 1.4.2. Alternative indicator of economic hardship

The problem of defining and measure poverty has, as described in Report no. 1:2003, been thoroughly discussed in the litterateur. What can be learnt from this discussion is that income based measures of poverty needs to be supplemented with more direct indicators. The annual Swedish Survey of Living Conditions contains a number of complementary indicators of economic hardship. One, often used, is based on a question asking whether the respondent within one week can get hold of a certain amount of money. The sum of money asked for is adjusted in accordance with the consumer price index and the amount was in year 2003 set to 14 000 SEK, which approximately equals to €1 550. Data for the period 1980 to 2003 is presented in Figure 5. Comparisons are made between women and men, different age groups, different employment positions and between immigrants and native-born Swedes. The overall

picture shows that the crisis during the 1990s clearly affected the economic situation and that the situation thereafter has improved.

Women do generally have less access to cash margin than do men and the increase during the first part of the 1990s was more visible among women than among men. One explanation for the situation is that single parents to a higher degree than others are exposed to an economically vulnerable situation and this group is predominately made up by women. However, also married and cohabiting women are more often than men in the same situation reporting that they lack a cash margin. One possible explanation to this difference is unequal intra-household distribution of resources (Halleröd 1997b; Nyman 2002). The figures also show that unskilled blue collar workers are more exposed to economic difficulties than higher white-collar workers and that the same goes for immigrants in comparison with native-born Swedes. It is also clear that economic turmoil predominately affects those who already from the beginning had the most vulnerable situation. The diagram also shows the figures for self-employed, figures supports the argument above that the high poverty rate among self-employed to a large degree is a statistical artefact. It can finally be concluded that lack of cash margin, not surprisingly, is most common among the young. However, since the late 1990s all age groups have experienced an improved situation.

**Figure 5: Lack of cash margin (cannot get hold of 14 000 SEK within a week) among 18-84 years old**

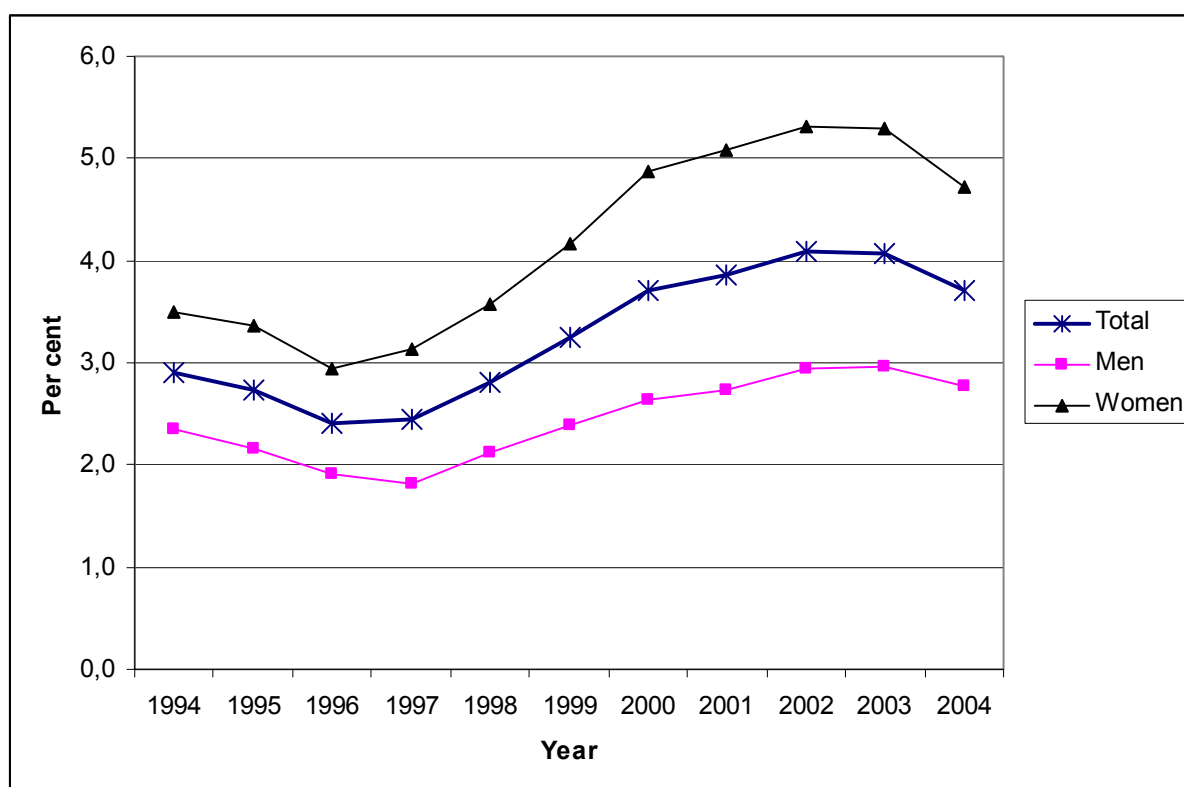


Source: Statistic Sweden, Survey of Living Conditions

## 1.5. Health and absence from work

As can be seen from the diagram below, there has been a dramatic increase of absence because of illness since the mid 1990s. The increase seems to level out in 2003 and thereafter a decrease can be seen for 2004. However, the fact that almost 5 per cent of the labour force is absent from work due to illness is clearly problematic. The gender pattern is also clearly visible and absence due to illness is much more common among women than among men. There is no agreement regarding the reasons for the development but the figures are clearly worrying. First, the cost is a great burden for the state budget and is threatening to undermine the ability to finance obligations in other areas and to uphold current level of income maintenance in the sickness insurance.

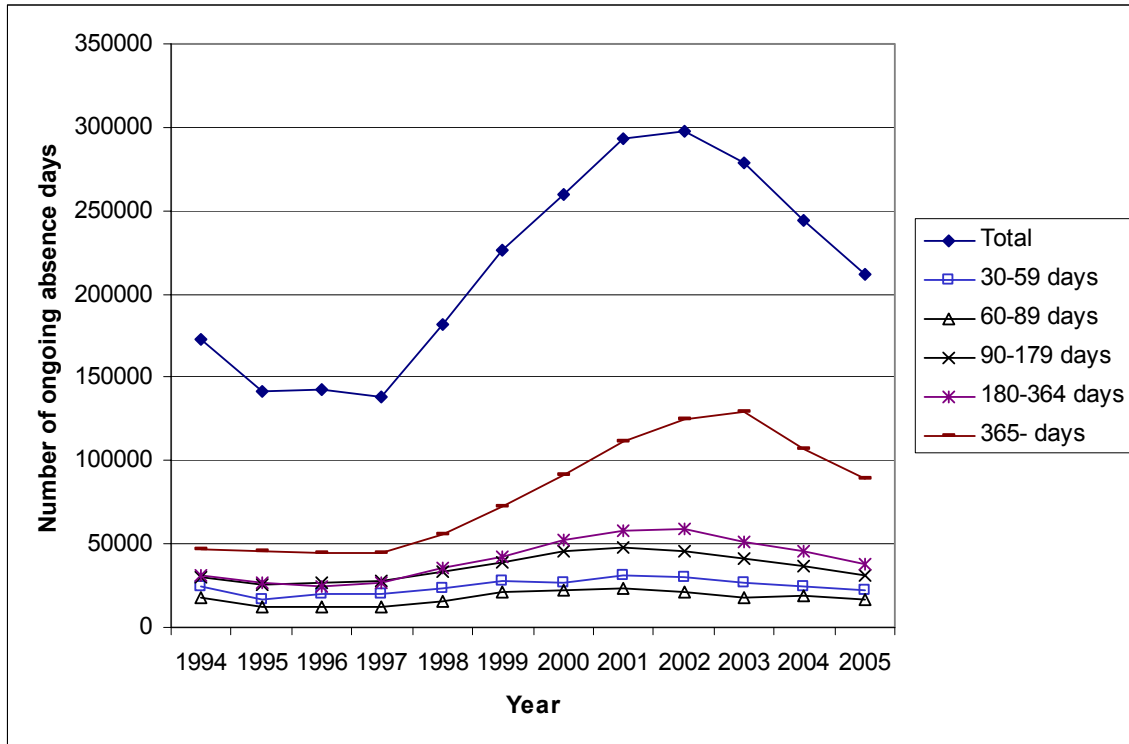
**Figure 6. Sick leave as per cent of the employed 1994-2004**



Source: Swedish Labour Force Survey

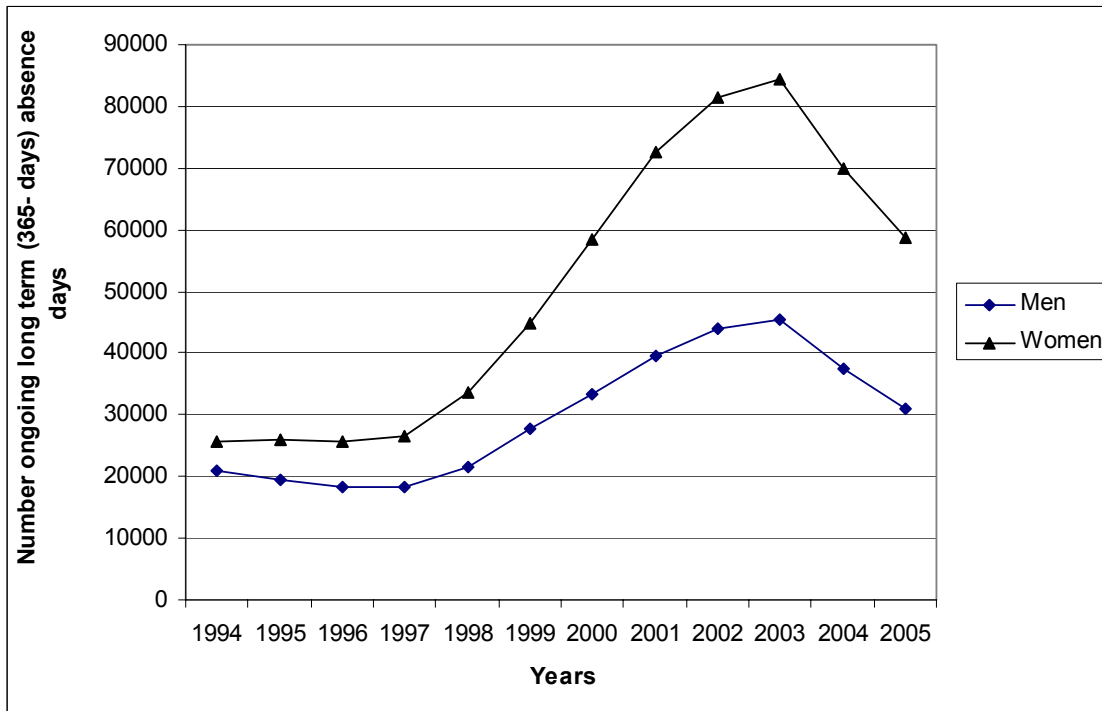
Second, the increase absence due to illness means that the increase of the employment rate, discussed above, is more or less fictitious since it is counterbalanced by absence due to illness. Third, as can be seen below (**Figure 7**) is it first and foremost long-term absence that has increased the most and it is, not the least from the perspective of poverty and social exclusion, important to keep track of the degree to which people are able to return to work after being long-termed absent. Figure 8 also confirms the gendered pattern showing that that women, even though the decrease in 2004 is larger among women, are subjected to almost twice as many long term sickness periods as men are.

Figure 7. Absence due to illness – days with sickness benefit 1994 - 2004



Source: (Försäkringskassan 2006)

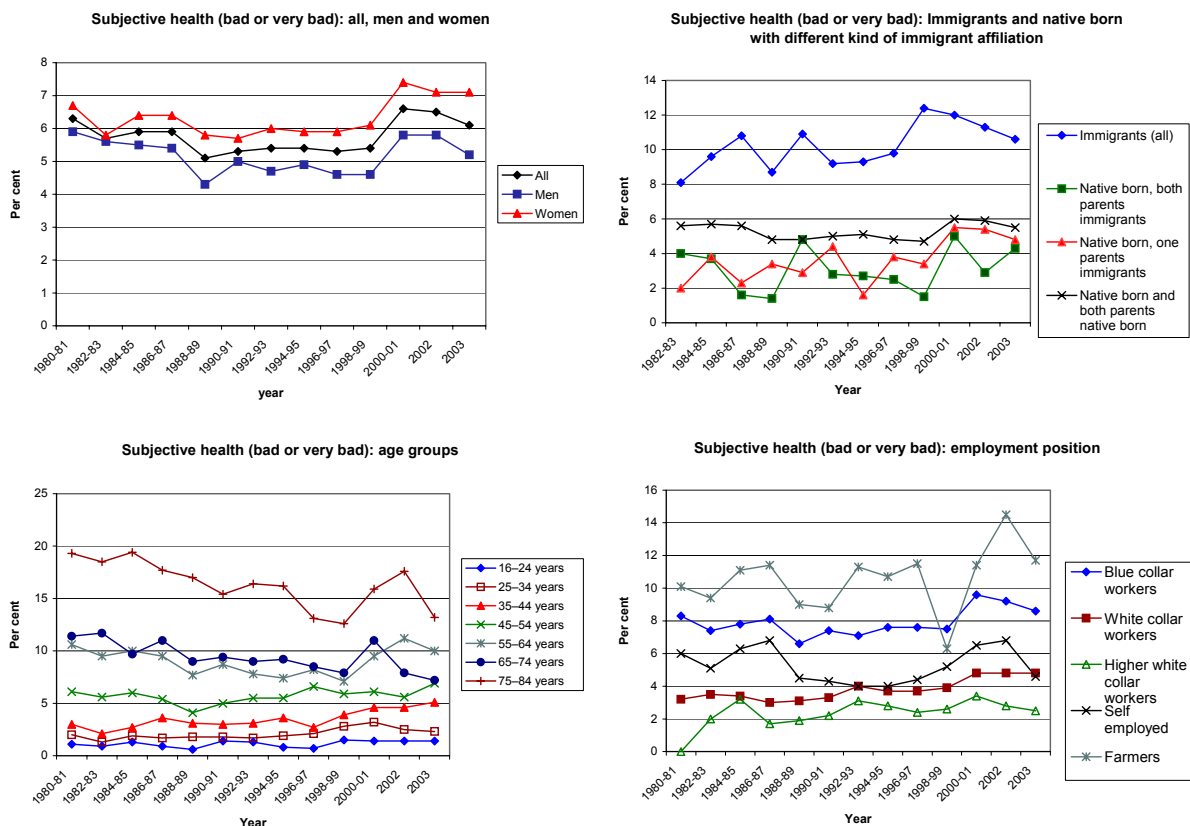
Figure 8. Absence due to illness that exceeds 365 days – total number of days for women and men



Source: (Försäkringskassan 2006)

The high level of absence from work due to illness and the rapid increase during the latter part of the 1990s appears as somewhat strange in the light of the rapid increased life expectancy and the overall improved health situation discussed in Sweden's recent report. However, health has both an objective and a subjective dimension. They are of course closely interlinked, but they are not the same thing. In the same way has absence from work due to illness an objective and subjective component that affects the decision to go to work or not. In the annual Survey of Living Conditions contains a question about subjective health and Figure 9 contains a time series that shows the proportion of the population that says that their health is bad or very bad. We see that the gender difference is apparent also when it comes to subjective health. We can also see that the overall trend to some degree follows that same pattern as absence from work, but that the increase in bad subjective health began after the increase of absence from work. Immigrants perceive their health situation as much worse compared to all categories of native born Swedes. We can also see the expected age differences – the older the worse health evaluation. However, there are three things to notice regarding age. First, the most rapid improvement over time is found among the oldest. Second, it is among the oldest group that we find the most marked worsening of the situation at the turn of the century, which rules out the commonly held view that conditions on the labour market are the main explanation to increasing health problem (an increase that in turn are held responsible for the increase of absence from work). Third, health problems among the middle aged continuous to increase through out the period.

**Figure 9: Subjective evaluation of health situation among 18-84 years old. Per cent that states that their health is bad or very bad. Figures displayed for men and women, different age categories, immigrants and native born, and different employment positions**



Source: Statistic Sweden, Survey of Living Conditions

### *1.5.1. Absence from work – a total estimation*

In 2004 about 1.8 million Swedes did receive income from sickness insurance, early retirement, unemployment benefit, benefit connected to active labour market measures or social assistance. The duration of these benefits do of course vary between individuals, some receive sickness insurance for just a few days while others are on the sick list for the whole year. People also move from one benefit system to another; long term sick becomes early retired etc. In order to get a picture of the totality has the government asked Statistic Sweden calculated so called full year equivalents, a measure that shows the number of people that are supported during a full year (for example, two persons that receives unemployment benefit for six months each becomes one full year equivalent). In 2004 Statistic Sweden estimated a figure of 1 067 188 full years equivalents (Statistics Sweden 2004; Wallerå 2004), which is an increase compared with 2003. Looking at Figure 10 we can see that the improvement of the labour market in latter part of the 1990s meant that less people were supported via the public transfer systems. The positive development was, however, held back by the increase of absence due to illness. During the two latest years absence due to illness has decreased while unemployment has increased.

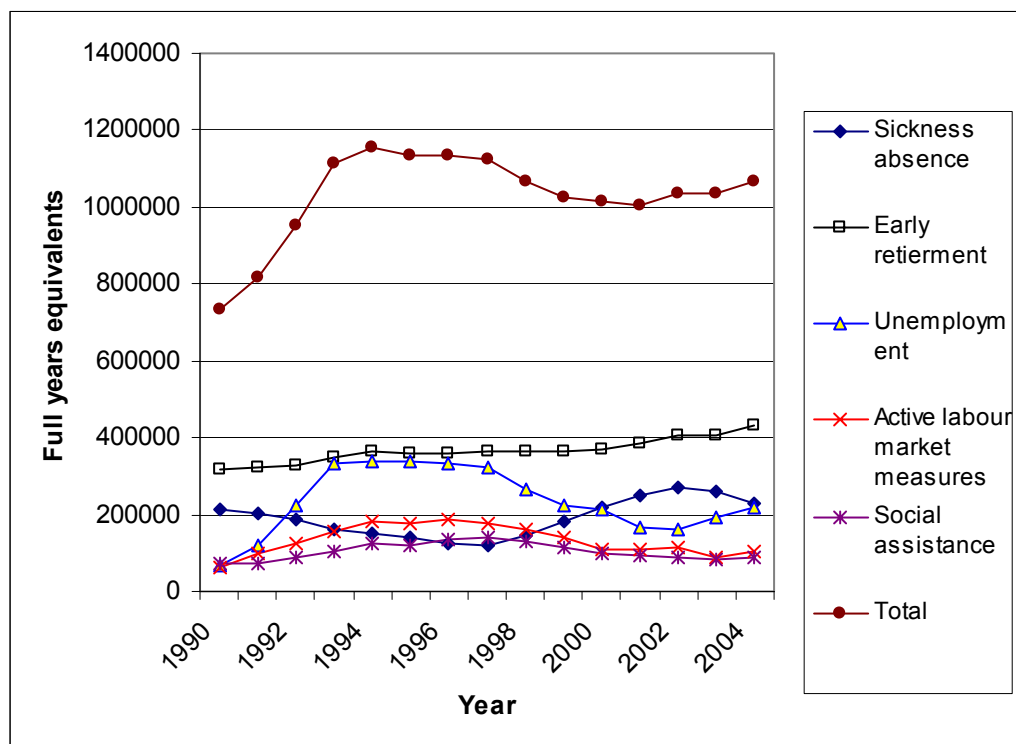
The perhaps most troublesome part of the picture is the continuously growth of the number of people receiving early retirement<sup>8</sup>. Even though efforts have been made to facilitate a return to the labour market also for early retired the situation is de facto permanent for most of the early retired. Thus, in 2004 almost half a million Swedes, 20-64 years old, were permanently excluded from the labour market. It is the highest figure ever and it is almost 200,000 more than in 1990.

As mentioned above, the government has decided not to update figures on full year equivalents. Hence, during the election year 2005 no information on the latest development of full year equivalents will be presented.

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<sup>8</sup> Early retirement (förtidspension) has recently been reorganized and is now called activity and sickness replacement (sjuk och aktivitetsersättning).

Figure 10. Full years equivalents, 1990 – 2004 (population 20-64)



Source: (Statistic-Sweden 2005a)

### 1.5.2. Education

It is often taken granted that we are heading towards a more and more knowledge based society. Education is a vital part of this development and the importance of education for peoples' prospects on the labour market is often emphasised and empirically verified (Halleröd 1999). During the 1990s the grading system used in Swedish schools was changed from a relative system, placing the students in an assumed distribution, to an absolute system related to specific knowledge criteria. One feature of the new system is that it gives explicit information if a student is eligible to move on from one level of the educational system to another. As can be seen from Table 10, around ten per cent those finishing primary school has not meet the requirement necessary for to go on to secondary school. Looking at the next step in the education system we can se that in the two latest years somewhat above ten per cent of the students in secondary school are not qualified for tertiary education. There has been a clear improvement of the qualification rate, especially if the latest figures are compared with the figure from year 2000 when almost 20 per cent of the students did not qualify for tertiary schooling.

**Table 10. Per cent of student that meets the qualification criteria for moving on the next level of schooling 1998 – 2003**

	Year							
	1998	1999	2000	2001	2002	2003	2004	2005
Finished primary school – qualified for secondary schooling	91.4	90.3	89.4	89.2	89.5	89,9	89,6	89,2
Girls	93.1	92.1	91.3	91.0	91.0	91.0	91,1	90,7
Boys	89.8	88.6	87.7	87.4	88.0	88.7	88,2	87,9
Immigrants*	80.4	79.6	78.6	78.4	78.9	79,5	78,2	78.0
Girls	83.2	82.1	81.0	80.8	80.8	80.9	80,5	79.6
Boys	77.7	77.6	76.3	76.2	77.1	78.1	75,9	76.5
Finished secondary school – qualified for tertiary schooling	83.3	83.5	80.3	84.6	85.7	89,2	89,4	
Girls	87.4	87.6	84.8	87.8	88.8	91,8	92,0	
Boys	79.0	79.3	75.7	81.3	82.5	86,3	86,8	
Immigrants*	73.9	74.5	69.6	75.0	77.7	81,5	81,7	
Girls	78.6	79.7	75.4	78.9	80.9	84,8	85,7	
Boys	68.6	68.4	63.3	70.7	74.0	77,8	77,5	

\* Children who themselves, or both of their parents, are born outside the country

Source: (Skolverket 2006)

The difference between girls and boys is also stable over time. The figures for girls are about 3.5 per cent higher than for boys when looking at primary school and about 7 per cent higher (lower the two last years) when looking at secondary school. Among immigrant children the figures are somewhat more than ten per cent below the total average. In this group the difference between girls and boys is about 5 per cent in primary school and close to ten per cent in secondary school. However, it is worth to notice that the 'gender gap' is decreasing the last couple of years. It is also worth to notice that the immigrant children that make it to secondary schooling are closing the gap to the average population.

The difference between school achievement between immigrant children and the rest of the population reveals the obvious, i.e., that the risk of not being eligible for the next education step is socially structured. It has also recently been discussed that the gap between children that have parents with higher education and children without higher education is increasing, which basically means that the school system are becoming less successful in mitigating the inter-generational reproduction of social cleavages.

Table 11 shows the fraction of the population aged 18 to 24 with at most lower secondary education and that are not in further education is substantially lower in Sweden compared to EU-average.

**Table 11: Percentage of the population aged 18-24 with at most lower secondary education and not in further education or training year 2005**

	Sweden	EU-25	EU-15
All	8,6	14,9	16,9
Women	7,9	12,7	14,5
Men	9,3	17,1	19,4

Source: (EUROSTAT 2006a)

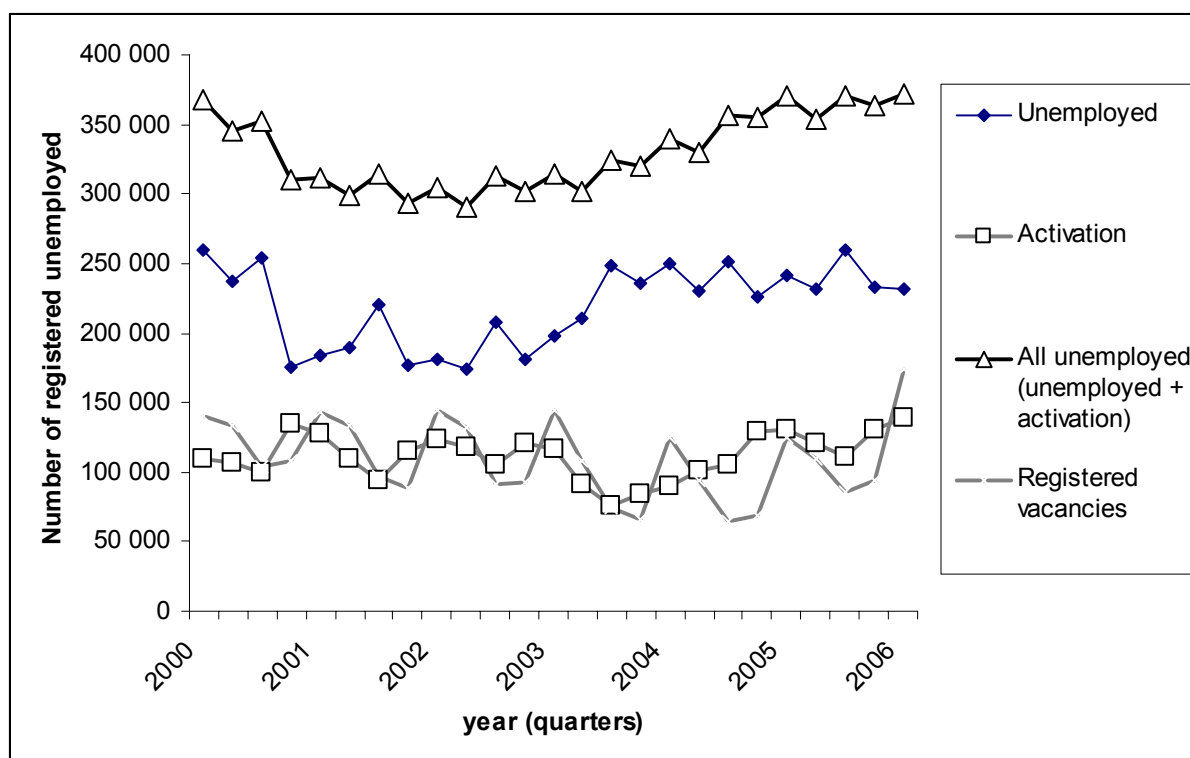
## 2. Activation policies

As mentioned above is high labour market participation and low unemployment the corner stones of the Swedish welfare state which also means that activation lies in the heart of the model. Family policy is for example deigned not to facilitate withdrawal from the labour market but to enable parents, both mothers and fathers, to continue to be employed. Most transfer systems are also dependent on the individuals' previous labour market achievements. Besides the general connection between the overall design of the welfare system an important role is played by specific labour market activation programs.

The Labour Market Board (AMS) is on a regular basis presenting statistics on unemployment, job seeking, number of people engaged in activation measures et cetera. Figures from AMS are based on the number of peoples that actually have contact with the employment agency, which among other things means that unemployment figures are not comparable with figures from the LFS. Figure 11 shows, among other things, the number of people that are unemployed and looking for a job. What we can see is that the figures been rather stable since mid 2003, hovering around 245 000. The number of people engaged in activation programs has increased since mid 2003. The decrease during the first three quarters of 2005 can be seen as an effect of the belief that the growing economy also should result in a growing demand for labour. When this did not happen was the activation program again expanded. The number of people engaged in activation programs was in the first quarter of 2006 the highest during the whole period covered in the figure, and this at time when the government forces a peak in the business cycle and a growth rate of 3.6 per cent. The Labour Market Board is calling activation programs "business cycle dependent programs" which reasonably means that they are meant to be used when the economy is slowing down. Now the government use them when the economy is picking up speed, which to me seems to be some kind of "anti-Keynesian" economic policy and it is hard not to interpret the increased use of activation programs (see below) as largely "election-driven" (there is a general election in September).

Even though people engaged in activation programs in a technical meaning are not unemployed it is not unreasonable to see them as a part of the total stock of unemployed since at least the major part of them are in the activation because they are unable to find a job on the regular labour market. The unemployed and those in activation are therefore added together in order to get an estimation of the total unemployment figure, i.e., "all unemployed" (in contact with the employment agency). There has been an increase in the total number of registered unemployed since 2003 and the figure for the first quarter of 2006 is the highest during the whole period. On the positive side we can notice that the number of registered vacancies is increasing during the first quarter of 2006. This is partly a season pattern, vacancies generally increase during the first quarter of the year, but in 2006 the increase starts of from a higher level than previous years and reaches the highest figure for the whole period. So, it might be that the favourable economic situation finally generates more jobs.

Figure 11: Number of people that are registered as unemployed, participating in activation programs and the number of registered vacancies at the Labour Market Board first quarter 2004 to first quarter 2006



Source: (Arbetsmarknadsverket 2006)

Active labour market policy has a long tradition in Sweden. As can be seen in Figure 11 more than 100,000 people have been engaged in different activation measures during the past six years. This is one, probably the, explanation why Sweden manage to keep long term unemployment on a comparatively low level even though the over all unemployment level is quite high. A large part of the activation programs are focused to help people that are caught in long term unemployment. This also means that if we consider those who are covered by the activation programs as unemployed, long term unemployment would be a more significant problem also in Sweden. The crucial thing when evaluating activation programs is if those who are part of them are able to establish themselves on the regular labour market once they gone through the activation program. If that happens a focus on the long term unemployed means that the programs to some degree turns 'unemployable' individuals 'employable' individuals. If not, the only positive aspect for those covered by the program is that they have something to do for a while at the same time as it makes the long term unemployment figures more decent.

Table 12 gives an overview of the number of peoples engaged in activation programs in November 2004. The table also shows the percentage of all participants that where employed 90 days after they finished the activation program and also the percentage that had non-subsidized regular market jobs. Over all almost 40 per cent were employed and somewhat more than a third had a non-subsidized employment. It is extremely hard to judge the effect of activation program since any comparison tends to be contra factual. However, a large majority of those who gone through activation programs are after 90 days not working at the regular labour market. If we can learn anything from this fact it is that activation has to be combined with a demand for labour power.

**Table 12: Number of people engage in activation programs, percentage that are employed 90 days after finalized the program and percentage thereof that have a non-subsidized job. Year 2004**

	No. of people Nov, 2004	Employed after 90 days, per cent			Thereof in non-subsidized employment after 90 days, per cent		
		All	Women	Men	All	Women	Men
Guidance/agency support	23 759	34.5	31.2	37.1	12.7	13.1	12.3
General employment support	3 883	61.2	63.3	60.2	59.4	61.7	58.2
Reinforced employment support	9 085	39.1	44.1	36.3	35.0	40.1	32.0
Enlarged reinforced employment support	1 599	44.5	46.5	43.3	36.9	39.3	35.5
Special employment support	8 723	12.1	11.0	12.8	8.9	8.0	9.4
Work rehabilitation	10 200	33.6	30.3	37.0	7.2	8.8	5.6
Labour market education	31 081	74.0	75.5	73.0	63.0	68.0	60.0
Vocational practice	20 456	43.5	41.5	44.9	24.8	26.5	23.5
Computer knowledge	4 552	25.8	26.4	25.4	21.2	23.0	19.5
Preparatory education	-	21.2	20.8	21.5	16.5	17.1	16.1
Municipality youth program	7 471	38.4	41.3	35.6	37.7	40.9	34.6
Labour market policy projects	1 076	31.4	30.7	31.9	23.8	24.9	23.0
Support to start up business	6 830	79.9	79.8	80.0	79.3	79.1	79.4
<i>Youth-guaranty</i>	7 240	35.8	35.7	35.9	32.3	33.8	31.3
<b>Total</b>	<b>135 955</b>	<b>38.9</b>			<b>34.6</b>		

Source (Arbetsmarknadsstyrelsen 2005)

The government has in the two latest budget proposals, autumn 2005 and spring 2006, increased the ambition to fight unemployment. The background for this policy is that unemployment has failed to decrease; in fact it has, despite a sound and growing economy, increased during 2005. The government is also far from reaching its goals regarding unemployment (4 per cent) and employment rate (80 per cent). That fact that the strong Swedish economy has not been translated into a likewise strong labour market performance is of course problematic. It is especially problematic for a Swedish social democratic government that has been in power for the last twelve years and that are facing an election failing in what is traditionally considered to be their best game – fighting unemployment. It is hard not to think that there is a connection between the coming election and that fact that the government is choosing to boast employment at this stage of the business cycle (as mentioned above is 2006 perceived to be the peak year in the current business cycle). The problem is that the measures taken not necessarily solve the underlying problem, which is the difficulty to translate economic growth into employment growth. The following activation program has been introduced during the past year.

1. A new type of employment support, called plus-job (plusjobb), was introduced in January 2006. The idea is to create state subsidized employment in public service (state, county and municipalities). The target group are those who been registered at the employment agency for at least two years. The state pays 100 per cent of the wage plus additional cost to a maximum of 1000 SEK a day. Plus-job can last for 2 years and the idea is that they thereafter shall be transformed into regular employment. Plus-job is not covered by the law for security of employment (LAS) and do not constitute a basis for eligibility to unemployment insurance. Wages should follow market standard. The actual work tasks should be of the kind that they are necessary and wanted at the same time as they are not allowed to crowd out regular jobs. The program I designed to cover 20 000 individuals and the cost is estimated to a total of 2 832 million SEK. My opinion is that plus-jobs are quite problematic. There is an obvious risk that plus-jobs are crowding out employment opportunities from the regular labour market or leads to substitutions effects, i.e., the

employer decides to employ the subsidized Mr A instead of the not subsidized Mrs B (see for example Marx (2005) for an empirical evaluation of the labour market effect of these kind of measures). The simple question to ask is; if the money is available in the public sector, which they obviously are, and the jobs that should be done are within the public sector and classified as necessary and wanted, why not create regular employment opportunities instead of a small secondary labour market?

2. Education-vacancy-position is a program that can offer a person that been registered as unemployed for at least a month a stand-in position at a municipality or county if the regularly employed is offered additional vocational training. The subsidy is 800 SEK a day and can last for six months. The government also provides a subsidy of 1000 per week in to support the vocational training. The program is designed to cover 5 000 stand-in positions each month and the costs are, for 2006, estimated to totally 788 million SEK. This is a program that, in my opinion, has clear dynamic component in offering not only employment opportunities to unemployed but also facilitate education and possible career opportunities for already employed. Crowding out and substitutes effects are probably small.
3. Unemployment among academics has increased lately and the government has therefore initiated a program in order to facilitate for small companies to hire subsidized academics via temporary job agencies (for example Manpower). The aim is to make smaller employers less hesitant to employ because they do not have to shoulder the full responsibility as employers at the same time as they do not have to pay the full price for the employee. It is expected that the program at any given time during 2006 will cover 4 000 academics to a total cost of 515 million SEK. My opinion is that this program is another problematic example of activation policies. Crowding out and substitution effects are likely to occur. The rhetoric question to ask is: if the employers' responsibilities for the employees are so far reaching that the government perceive them as a serious disincentive to employ and if, at the same time, the costs to employ are deemed to be to high why not deregulate the labour market and lower taxation? Recent reports in the press indicates that this program largely is a failure because of an almost non existing interest from employers.
4. Apprenticeships for youths with special emphasize on youths with low education. The program is designed to combine apprenticeships with possibility to improve and complement basic education. It is a program designed to engage 3 000 persons at any given time to a total cost of 581 million SEK. My view is that this is a program that has quite small crowding out and substitution effects. The fact that it will increase skill and employability among a group with a very weak position on the labour market is clearly a positive feature.
5. In the so called spring-budget is the government planning to expand the activation measures making place for an additional 11 000 persons.

Table 13 gives an overview of the different activation programs that are in place during the spring 2006. Most of the programs have been expanded compared to the situation in March 2005.

**Table 13. Activation programs March 2006 in comparison with March 2005. Number of people and change over time.**

	All		
	March 2006	March 2005	Change %
Activation Program: Total	143 953	130 512	10.3
Labour market education	10 809	10 438	3.6
<i>Thereof Apprenticeships*</i>	222	0	
Vocational practice	13 600	16 796	-19.0
<i>Thereof Try-on-employment</i>	629	0	
<i>Thereof Internal training</i>	240	0	
Support to start up business	5 609	6 823	-17.8
Youth measures	14 038	11 860	18.4
<i>Thereof Youth-guaranty</i>	8 764	7 044	24.4
<i>Thereof Municipality youth program</i>	5 274	4 816	9.5
Preparation activities	55 446	53 373	3.9
<i>Thereof Guidance and                   job search                   training</i>	26 405	24 239	8.9
<i>Thereof Work rehabilitation</i>	11 245	9 360	20.1
<i>Thereof Computer knowledge</i>	3 122	3 344	-6.6
<i>Thereof Preparatory education</i>	14 618	16 430	-11.0
<i>Thereof Extended guidance and mapping*</i>	56	0	
Labour market policy projects	1 352	926	46.0
Free-year	11 861	7 205	64.6
Employment support	30 526	23 091	32.2
<i>Thereof General employment support</i>	5 510	3 645	51.2
<i>Thereof Reinforced employment support</i>	10 822	9 660	12.0
<i>Thereof Special employment support</i>	10 125	9 786	3.5
<i>Thereof Plus-job*</i>	4 069	0	
Education-vacancy-position*	710	0	
Job for academics*	2	0	
<b>Special measures for disabled</b>	<b>64 362</b>	<b>61 263</b>	<b>5.1</b>
<i>Thereof Wage subsidize</i>	58 998	55 789	5.8
<i>Thereof Public protected work</i>	5 192	5 474	-5.2
<i>Thereof Development employment**</i>	129	0	
<i>Thereof Job-security employment*</i>	43	0	
Samhall (figures for February)	20 340	21 693	-6.2

Source: (Arbetsmarknadsverket 2006)

\*New measures from January 2006

There is a special focus on the young and the long term unemployed. People that has been registered at the job agency for at least 24 months are covered by the so called "activation guarantee" (aktivitetsgaranti). An individual action plan is set up specifying everything that the job agency can offer and what the individual is supposed to do. A basic idea is that engaging long term unemployed in activation programs their employability shall increase. For between 20 and 25 special measures are taken to get them swiftly, after three months as unemployed, into activation programs if regular jobs cannot be found.

Demand for labour and the matching of the unemployed with existing vacancies are one important aspects of any unemployment policy. Another aspect is the incentives among the unemployed to take on a job. EUROSTAT is calculating a so called unemployment trap that measures the percentage of

gross earnings which is "taxed away" through higher tax and social security contributions and the withdrawal of unemployment and other benefits when an unemployed person returns to employment. This structural indicator covers single persons without children earning, when in work, 67% of the average earnings of a full-time production worker in the manufacturing industry. In Sweden this figure is 87 per cent, which clearly above the EU-average (77.7 per cent for EU-25 and 78.3 for EU-15) (EUROSTAT 2006e). However, there does not seem to be any statistical correlation between the unemployment trap and unemployment rate among the EU countries (own regression analysis).

Next general election takes place this autumn. Unemployment is bound to be a major issue in the political debate, in fact it already is. Now, if economic growth in itself is not solving the problem, which it has not done so far and if activation does not do it and if the "unemployment trap" seems to be insignificant it appears obvious that it is demand for labour that will do the trick. The opposition critique of the government is that labour costs are too high. The high labour costs is maybe not a major problem for a highly efficient industry where labour costs makes up a relatively low percentage of the total production cost, but it seems to be a problem for creation of service jobs, i.e., the job that are supposed to replace the job that disappear when manufacturing sector is getting increasingly efficient. The government consistently rejects this interpretation of the problem opposing any suggestion of tax reforms. However, reading the government's budget proposition this position seems rather strange, because the government is implicitly making the very same assumptions as the opposition does. Plus-job is a very good example of that. Another critique is directed towards labour market regulations and the employers' responsibilities towards the employee. An example of increased responsibilities for the employer is the changes that have been done in the sickness insurance. These changes are in away modelled to fit large companies. For small businesses they can, as it is argued, be quite problematic. The government is indirectly acknowledging this problem when suggesting the program to reduce unemployment among academics. The proposed solution is a special program with subsidies and a reduced employer responsibility not a general solution to the problem that they themselves, i.e., the government, has recognized.

## **2.1. Activation at the local level**

As mentioned above is the local level of great importance, it is on this level that the policy towards the most marginalized section of the population is executed and also in many cases formulated. It means that there is a large degree of diversity in the way municipalities organize their work, each one trying to adjust their policy to their specific circumstances. A major trend in social work at the local level, described more thoroughly in Report No. 2-2004, is change of focus from a position where the authorities' responsibility for the individual was emphasized to a situation where the individuals' responsibility for herself/himself is emphasized. Long term dependency on social benefits shall as much as possible be avoided. Employment and economic independency is a pivotal goal. Hence, activation as the guiding principle has been strengthening.

Coordination of different welfare state actors is important to facilitate employment and economic independency among the most marginalized groups. A common strategy for the municipalities is to organize special units that coordinates the effort from the social welfare office with the local employment office, the social insurance office and in many cases the health care system. The main strategy is to swiftly move unemployed people that gets in contact with the social welfare office into contact with these units. Social assistance is in many cases made conditional on participation in the job-units activity. It is especially important to integrate younger recipients into the labour market and as much as possible avoid long-term dependency of social assistance in this group. Emphasizing the individuals own responsibility increases the demand for professional social work. The approach can only work in a human and dignified way if the individual's capability is judge correctly and if the goals are set in relation

to the individual's capability. An important aspect is that the individual's capability is a dynamic factor and a central feature of modern social work is to increase the individual's capability, which, in turn, increases the demand for professional social work.

The change in perspective, i.e., looking for what people are able to do, not concentrate on the aspects that hamper peoples' integration, seems to be especially important in highly segregated suburban areas, exemplified in Report No 2-2004 by Botkyrka and Bergsjön. The fight against poverty and social exclusion in these kind of areas cannot be successful unless all relevant actors, that is, all the welfare state actors, landlords and employers, start to focus on the resources that the individuals actually possess.

A concerted effort from all relevant actors at the local level is essential for a successful fight against poverty and social exclusion. Cooperation between different public agencies is examples of this. However, a successful cooperation has to be built on local experiences, tackling the specific problems that the municipality is facing. In Report No. 2-2004 it was clearly described as highly problematic when the government or other state agencies directly interfered in the way different authorities worked at the local level. Especially the local employment office often had to carry out measures that were decided on a central level and not adjusted to the different needs at the local level. It often meant that resources were spent on the wrong thing and that cooperation between agencies at the local level was disrupted. It is presently not possible to know if and in that case how the new centrally decided activation measures affects the work on the local level. However, there are good reasons to believe that they in some cases means that especially the local employment agency has less resource to pursue different kinds of local initiatives.

Bergsjön, a part of Gothenburg municipality can serve as a local example of how the municipalities are working. In order to be able to guide clients into the labour market has Bergsjön set up a unite called "job-forum" (arbetsforum). Job-forum is joint venture between the municipality and local employment office and the regional social insurance office. The rule is that every individual that ask for social assistance and is deemed to have a basic ability to work have to take contact with job-forum within a week and follow a program, job training, education etc that is agreed upon. The social assistance payment is made conditional in relation to the job-forum agreement. In order to avoid a "dependency culture" it is pivotal that those who receive social assistance are made totally aware that social assistance is a temporary measure and that it is the individual's responsibility to secure an income.

The Stockholm suburb Botkyrka is working in a similar way with an increased cooperation between different public bodies, especially health care, regional social insurance office and, not the least, the local employment office. Thus, in praxis the municipality put harder pressure on the recipients of social assistance to seek, find and accept job offers. However, this was done in combination with a more intense social work and a more concerted provision of public efforts to make such a policy possible. Thus, close cooperation with the local employment office, the regional social insurance office and the health care system. Both the local employment office and the regional insurance office are state governed organizations while the health care system is administered on the county level. Thus, an efficient social work needs to include public bodies that organized at different levels. The policy is most strictly implemented when it comes to young recipients of social assistance. The rule is that young recipients are engaged in some kind of active labour market effort within a week. It is most often the municipality that offers job or job practice. The obvious aim is to prevent youngster to turn into passive recipients of public support.

## Appendix 1

**Table-A 1: GDP per capita and annual change of GDP 1990-2004**

Year	GDP index (year 2000 = 100)	Annual GDP change	GDP per capita
1990	82.08	1.00	210.49
1992	81.19	-1.10	206.82
1992	80.23	-1.20	203.17
1993	79.01	-2.00	200.92
1994	82.09	3.90	207.29
1995	85.30	3.90	214.26
1996	86.44	1.30	216.79
1997	88.46	2.30	221.72
1998	91.70	3.70	229.71
1999	95.85	4.50	239.92
2000	100.00	4.30	249.92
2001	101.07	1.10	251.91
2002	103.09	2.00	256.10
2003	104.83	1.70	259.45
2004	108.76	3.70	268.12
2005	111.70	2.70	

Source: (Statistic-Sweden 2006a; Statistic-Sweden 2006b)

**Table-A 2: Number of people that are registered as unemployed, participating in activation programs and the number of registered vacancies at the Labour Market Board first quarter 2004 to first quarter 2006**

		Unemployed	Activation	All unemployed (unemp + activation)	Registered vacancies
2000	1st quarter	259 229	108 906	368 135	140 548
	2nd quarter	237 286	107 341	344 628	133 542
	3rd quarter	253 437	99 380	352 817	103 662
	4th quarter	175 024	134 750	309 774	107 500
2001	1st quarter	184 421	127 098	311 519	143 468
	2nd quarter	189 411	110 132	299 543	132 806
	3rd quarter	220 889	93 424	314 313	96 349
	4th quarter	177 313	115 731	293 044	88 032
2002	1st quarter	181 404	123 366	304 770	144 012
	2nd quarter	173 500	117 293	290 793	132 354
	3rd quarter	207 346	105 319	312 664	91 875
	4th quarter	181 101	120 472	301 573	93 128
2003	1st quarter	197 825	115 898	313 723	145 193
	2nd quarter	209 931	91 269	301 200	108 359
	3rd quarter	248 689	76 067	324 755	74 015
	4th quarter	235 646	84 659	320 305	65 826
2004	1st quarter	249 747	90 507	340 254	125 602
	2nd quarter	229 654	100 660	330 313	93 368
	3rd quarter	251 259	104 655	355 914	64 639
	4th quarter	226 144	128 965	355 110	69 227
2005	1st quarter	240 836	130 170	371 006	125 316
	2nd quarter	231 882	121 392	353 274	109 722
	3rd quarter	260 219	110 404	370 623	85 280
	4th quarter	232 800	130 637	363 437	93 900
2006	1st quarter	232 172	139 370	371 542	173 977

Source: (Arbetsmarknadsverket 2006)

**Table-A 3. Employment rate among men and women by age groups 1990 - 2003**

MEN					
AGE	16-19	20-24	25-54	55-59	60-64
1990	46.2	81.0	93.5	86.3	62.5
1991	39.7	75.9	91.5	84.4	62.8
1992	31.1	65.1	87.9	82.5	58.3
1993	22.0	54.6	83.7	77.8	53.2
1994	21.1	53.8	82.8	76.4	51.2
1995	22.5	55.3	84.0	76.1	51.0
1996	20.7	54.9	83.4	77.2	52.9
1997	19.6	55.3	82.6	76.2	50.3
1998	21.7	58.0	83.4	78.1	50.1
1999	24.0	60.8	84.4	79.4	50.8
2000	26.1	63.0	85.8	79.7	51.8
2001	27.2	63.4	86.7	80.3	54.9
2002	25.7	61.9	85.9	81.0	56.4
2003	23.5	61.5	85.3	79.6	60.2
2004	22.3	59.4	85.0	79.9	61.4
<b>2005#</b>	<b>21.1</b>	<b>59.5</b>	<b>86.6</b>	<b>82.0</b>	<b>61.0</b>
WOMEN					
1990	49.2	78.5	89.7	78.1	52.0
1991	44.5	73.6	88.2	78.0	52.9
1992	36.5	67.0	85.8	77.0	50.4
1993	25.9	57.8	82.6	74.7	46.5
1994	24.5	55.7	81.0	74.7	43.4
1995	26.3	54.5	81.1	73.0	44.7
1996	23.9	51.1	80.0	74.2	45.6
1997	22.6	50.8	78.6	74.7	44.5
1998	25.2	52.4	79.1	75.2	42.5
1999	28.6	53.7	80.6	75.8	42.9
2000	31.2	56.3	81.7	76.2	45.0
2001	34.7	59.4	82.5	77.0	47.2
2002	32.6	59.0	82.4	77.1	50.8
2003	32.1	57.3	81.7	77.0	53.5
2004	29.3	55.2	80.8	77.1	55.4
<b>2005#</b>	<b>28.4</b>	<b>56.8</b>	<b>81.1</b>	<b>77.2</b>	<b>55.0</b>

Source: Swedish Labour Force Survey

STATISTIKDATABASEN - Befolkningen 16-64 år (AKU) efter kön, ålder och arbetskraftstillhörighet. År 1990-2004

# <http://www.scb.se/statistik/AM/AM0401/2005A12/AKU2005.xls>

**Table-A 4. Employment rate for native born and immigrants (age 16-64) grouped after years in Sweden**

Men					
Year	Nativ born	Immigrants 0-4 years	Immigrants 5-9 years	Immigrants 10-19 years	Immigrants 20- years
1990	89.7	61.0	75.4	82.2	79.0
1991	86.7	48.4	65.2	77.0	75.8
1992	82.6	38.3	61.5	73.1	72.8
1993	78.1	34.8	51.3	65.1	67.3
1994	78.4	30.0	46.0	65.7	66.7
1995	80.0	25.8	45.0	65.2	66.1
1996	79.1	25.5	44.9	63.3	67.0
1997	78.9	28.3	44.7	60.3	66.5
1998	80.6	30.9	49.8	60.5	66.7
1999	81.0	39.1	48.6	63.4	67.5
2000	82.5	46.3	59.6	66.2	68.8
2001	82.4	48.1	59.1	66.5	69.7
2002	81.9	47.4	62.2	64.3	68.9
2003	81.7	46.6	58.7	62.9	68.3
2004	81.3	42.2	54.8	63.2	69.1
2005#	83.3	46.8	56.3	65.6	71.3
Women					
1990	84.8	55.2	71.7	77.1	77.6
1991	83.2	41.3	69.3	72.8	73.1
1992	80.4	30.8	59.2	71.9	70.6
1993	77.2	30.2	46.6	64.3	65.3
1994	76.7	24.8	41.5	63.7	64.1
1995	76.5	19.0	38.8	61.6	63.4
1996	76.1	19.2	39.1	63.5	65.1
1997	75.3	22.4	39.0	59.8	64.3
1998	76.0	25.2	46.0	58.8	64.0
1999	77.0	31.9	44.8	58.9	66.2
2000	78.2	39.7	51.4	62.6	65.2
2001	78.9	37.7	49.4	63.4	68.5
2002	78.8	40.3	55.4	61.5	66.8
2003	78.1	38.3	55.8	61.6	64.6
2004	77.7	35.6	50.7	60.2	66.0
2005#	78.1	38.4	52.5	64.7	68.7

Source: (Swedish-Integration-Board 2006)

**Table-A 5. Employment ratio (native born = 100) for immigrants (age 16-64) grouped after years in Sweden**

Men					
Year	Nativ born	Immigrants 0-4 years	Immigrants 5-9 years	Immigrants 10-19 years	Immigrants 20- years
1990	100.0	74.2	88.7	96.1	94.3
1991	100.0	65.5	71.7	92.0	96.1
1992	100.0	54.3	76.8	87.0	96.7
1993	100.0	50.0	71.2	83.6	95.2
1994	100.0	44.8	65.7	84.9	94.6
1995	100.0	40.6	62.6	86.1	91.6
1996	100.0	40.3	63.3	78.7	92.9
1997	100.0	43.3	63.2	74.7	93.1
1998	100.0	46.3	64.7	74.3	91.8
1999	100.0	59.5	62.7	80.8	90.0
2000	100.0	64.2	79.7	84.4	92.6
2001	100.0	70.1	80.3	81.5	90.9
2002	100.0	68.2	82.4	79.6	91.9
2003	100.0	66.5	75.1	77.7	93.9
2004	100.0	61.8	71.1	79.5	94.6
Women					
1990	100.0	66.1	84.5	89.9	95.3
1991	100.0	49.9	83.2	85.8	91.8
1992	100.0	39.7	74.3	86.8	92.9
1993	100.0	39.8	61.4	79.3	89.7
1994	100.0	32.5	55.0	81.0	88.3
1995	100.0	25.1	51.4	80.0	87.4
1996	100.0	26.3	50.7	82.6	90.4
1997	100.0	29.9	50.6	76.1	90.3
1998	100.0	32.3	59.9	76.0	88.8
1999	100.0	40.4	57.7	74.6	90.3
2000	100.0	50.5	65.9	78.9	87.2
2001	100.0	47.9	61.2	77.5	90.7
2002	100.0	52.7	70.2	78.0	88.9
2003	100.0	49.3	70.5	78.5	86.9
2004	100.0	46.4	65.6	77.0	89.7

Source: Integrationsverket 2004, 2005

**Table-A 6. Full years equivalents among individuals 20-64 years old 1990-2003**

Year	Sickness absence	Early retirement	Unemployment	Active labour market measures	Social assistance	Total
1990	211 493	319 311	69 129	60 585	71 718	732 236
1991	202 616	322 388	119 200	98 192	74 191	816 587
1992	186 941	330 228	223 866	125 140	88 128	954 303
1993	162 964	350 298	335 607	157 466	106 138	1 112 473
1994	149 441	361 836	339 597	181 974	123 472	1 156 321
1995	141 599	361 539	339 943	174 909	118 288	1 136 279
1996	124 359	357 118	331 614	189 772	134 144	1 137 007
1997	120 325	362 785	320 131	178 473	140 509	1 122 222
1998	145 289	364 721	263 303	162 074	129 200	1 064 587
1999	179 604	366 157	224 224	142 279	115 220	1 027 484
2000	219 065	370 308	215 583	108 704	100 879	1 014 539
2001	252 270	384 509	168 165	107 750	91 157	1 003 851
2002	270 010	406 648	160 380	112 798	86 122	1 035 958
2003	259 771	408 285	191 225	88 893	85 164	1 033 338
2004	227 375	432 965	216 965	101 903	87 997	1 067 188

Source: (Statistic-Sweden 2005a)

## Appendix 2: changes in the income survey

The figures and time series presented Report No. 1-2005 and in later reports to some degree deviates from what has been published in the NAP/incl reports from 2003 and 2004. The reason is that Statistic Sweden has developed a new equivalent scale. The figures in the table for the period before 2003 does therefore deviate from results presented in earlier reports. The main reason is that the old equivalent scale set the weight 1.16 to the first adult, while the new scales follows the more conventional approach to give the weight 1 to the first adult. The rather odd deflation of the equivalent disposable income caused by the old scale is therefore gone resulting in a higher mean and median income. Beside this difference are also the discrepancy related to changes of the relative weights for different household constellations. Income dispersion and poverty rates are for that reason slightly affected. The change of equivalence scale also affects the way poverty is distributed among different household types. Table 14 gives examples of the equivalence weight for different household types and the resulting poverty line. The "new" poverty line is more generous to single adult household and less generous to married/cohabitant couples with children above the age of eleven.

**Table 14. Equivalence scales and poverty lines (<60 per cent of median income) for different household types for year 2001.**

Household type	Old equivalence scale	New equivalence scale	Poverty line according to the old equivalence scale SEK	Poverty line according to the new equivalence scale SEK	Poverty line according to the old equivalence scale EURO*	Poverty line according to the new equivalence scale EURO*
Single adult	1.16	1.00	78,718	85,680	8,746	9,520
Single parent, one child (0-3 years old)	1.72	1.60	116,719	137,088	12,969	15,232
Single parent, one child (4-10 years old)	1.82	1.60	123,505	137,088	13,723	15,232
Single parent, one child (11-17 years old)	1.92	1.60	130,291	137,088	14,477	15,232
Single parent, three children (1, 5 and, 12 years old)	3.14	2.56	213,080	219,341	23,676	24,371
Married/cohabitant couple without children	1.92	1.58	130,291	135,374	14,477	15,042
Married/cohabitant with one child (0-3 years old)	2.48	2.06	168,293	176,501	18,699	19,611
Married/cohabitant with one child (4-10 years old)	2.58	2.06	175,079	176,501	19,453	19,611
Married/cohabitant with one child (11-17 years old)	2.68	2.06	181,865	176,501	20,207	19,611
Married/cohabitant with three children (1, 5 and, 12 years old)	3.90	3.02	264,654	258,754	29,406	28,750

\* The figures are calculated using the approximate exchange rate of 9 SEK on 1 EURO

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