



Sweden

Assessment of the 2008-2010 National Reform Programmes for Growth and Jobs from a social inclusion perspective: The extent of synergies between growth and jobs policies and social inclusion policies

A Study of National Policies

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Summary

The Swedish NRP can be seen as a summary of the government's economic and labour market policy. Thus, the NRP is not a policy making document. There are, as can be expected, large similarities between the previous reports, not least the NSRSPIS, and the NRP which should come as no surprise since the government has followed the policy that was outlined already before the election in September 2006.

The NRP do almost not contain any explicit discussion of poverty and social inclusion, the focus is almost entirely on job creation. More than anything else the government's policy is lead by a will to increase labour market participation – work is the main tool used in order to achieve social inclusion. This is also a policy that is in line with the Lisbon feeding in – feeding out strategy. The policy aims to strengthen both the labour markets supply and demand side. Supply side reforms include reforms of the rules and replacement rates governing the income maintenance systems and via lowering taxes on labour market incomes. The demand side has mainly been stimulated via specific and general changes of payroll taxes.

The policy has hitherto been successful with increasing employment rate and decreasing unemployment. To certain degree this development has improved the situation for groups that traditionally have comparatively weak labour market attachment (for example male immigrants). However, it is important to keep in mind that the economic circumstances have been very favourable with high growth rate and a strong demand for labour power. The dramatic economic downturn means that the presumptions now are significantly different. From that perspective a number of critical remarks can be made.

One tool the government use to increase employment is to reform the taxation system in order to increase income differences between those who are working and those who are not. In a way this is an understandable policy that makes work pay. However, the government seem to forget that there always will be section in the population that never will establish themselves on the labour market. How large this section is will at every moment be decided by characteristics of the individuals and the demand for labour power. Already today is the poverty rate very high among those who stand furthest away from the labour market. A policy for social inclusion must seriously discuss how this situation can change and, especially in the current economic situation, how a worsening of the situation can be avoided.

The NRP, even more so than the NSRSPIS, would gain from a more mainstreamed discussion about the way wish to address issues about poverty and social inclusion especially among immigrants and children. The NRP would also gain from a discussion of the limitations of the current policy especially in a situation when demand for labour power is weakening and unemployment is increasing, i.e., that kind of situation that the government foresees in its budget proposition and that the last couple of weeks has been turned into an acute issue.

1. Overall assessment of implementation of the 2005-2008 NRPs during the past year from a social inclusion perspective

In November 2006 the newly installed right-centre government presented the Swedish National Reform Program for Growth and Jobs (NRP05-08) and less than a year later the Progress Report was presented. Both these reports can be seen as an outcome of the policy that the four parties in the government agreed upon before the general election in 2006. The line of thought that guides the social inclusion perspective in both these reports is rather straightforward: People are excluded if they do not have a job. Hence, exclusion is by definition the same as joblessness. The primary goal, stressed by the government over and over again, is therefore to increase the employment rate and decrease unemployment. This is also the line of thought that can be found in the Strategy Report for Social Protection and Social Inclusion 2008-2010 (NSRSPSI) and for that matter in all social inclusion reports handed in by the current government.

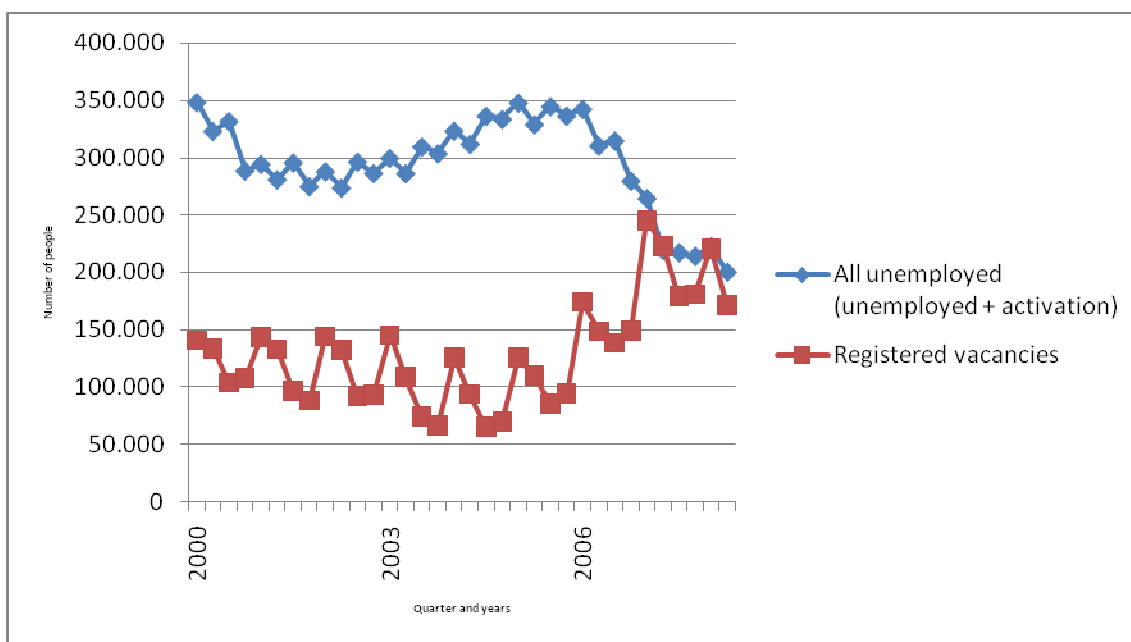
The focus on employment is not in any way any kind of new Swedish policy. Social policy and labour market policy has always been strongly connected and people are firstly supposed to support themselves via work and thereafter guaranteed income related income maintenance in case of illness, unemployment etc. There have of course always been special programs designed for those who cannot support themselves via the labour market, but apart from that the so called work-line has dominated. Also family policy, tax system and pension system are designed to promote labour market participation. The fact that Sweden has a comparatively high labour market participation rate, especially among women and among older people should come as no surprise, it is an outcome of a since long implemented policy.

However, the current government has committed itself to strengthen the work-line even more and in the rhetoric it also means that they strengthen the fight against social exclusion. After the government came to power in September 2006 a series of labour market reforms has been implemented. These reforms are described in the NRP06-08 and their continuation is described in the new NRP. The policy can be divided into two main categories. First there is a set changes aimed at strengthening work incentives, i.e., the labour market's supply side, with the help of both carrots and sticks. On the 'carrot side' we find in-work tax credit, which means that income from work is taxed lower than incomes from other sources, including transfers (that generally are taxed in Sweden). A first step in this policy was implemented in 2007, as second step in 2008 and a third step will be implemented in January 2009. On the 'stick side' we find a series of measures that limits replacement rates and accessibility to unemployment insurance, sickness insurance and early retirement. The government is very clear that they perceive social insurance a temporary measures – a return to work is always seen as the preferred outcome and besides the economic incentives that government also want to see more efficient rehabilitation programs. Second, there is also a selective demand side policy exemplified first and foremost with the so called 'new start job'. The idea is that employers get a reduction of the payroll tax if they employ a person that has been unemployed for a longer period. Other groups that are covered by similar measures are the young, immigrants and disabled.

In the short run the government policy has been successful and is hence a good example of a policy that are feeding in (more people are working and contributing to economic growth) and also feeding out (labour market inclusion). Compared to 2004 and 2005 there number of people looking for a job or being part of some kind of activation has decreased with about 150 000 individuals. The main driving force behind this development is the rapid increase of the number of vacancy (see Figure 1). Hence the demand for labour power has increased rather dramatically which is reflected in the fact that unemployment has gone down and employment rate has increased. The government point out that the development has been especially positive among

groups with a weak labour market attachment such as immigrants, older people and people with disabilities. However this is only partly true. There is, as been shown in Report 2008:2, a positive development for both men and women but the improvement has been more substantial for men, which in relative terms leads to increased gender inequality. We can also see that both native born men and immigrated men have increased their employment rate. In fact the improvement has been more substantial for immigrant men and the relative gap between the two groups has decreased over time. However, this development is not discernable among women among which the general development has been less favourable and among which the gap between native born and immigrants has remained constant over time.

Figure 1. Number of vacancies and number unemployed (unemployed and people in activation) the first quarter of year 2000 – the second quarter of 2008.



Source: Statistics Sweden

What is important to keep in mind is that the positive labour market development has occurred under very favourable economic and labour market conditions. It is also the case that the positive development during the past couple of years started before the new government was elected. Hence, it is an open question how much of the labour market improvement that really depends on the government policy. The government presents estimations that show that there policy has a positive marginal effect, but estimations of this kind are always very sensitive to assumptions.

The labour market situation is now rapidly changing, which partly is a foreseen development as lower growth was anticipated as a consequence of the downturn in the international economy. However there is an apparent risk that the current economic turmoil makes the downturn deeper than predicted. This is especially so for a small and open economy such as the Swedish one.

2. Assessment of the 2008-2010 NRPs from the perspective of social inclusion

The NRP follows the strategy the government has outlined in earlier reports, which, in turn, reflects the policy that was formulated before the general election 2006. Hence, the government is basically doing what they promised to do before it was elected, which is something that apparently came as a surprise for many people. The NRP clearly show that the government stick to the idea that inclusion and employment basically is the same thing. A direct and in dept discussion about social inclusion is basically absent from the NRP.

Again it has to be stressed that the NRP is not a policy making document. It is a document the government use to summarize and report its policy. There are large overlaps between the NRP and Sweden's Strategy Report for Social Protection and Social Inclusion 2008-2010 (NSRSPSI). Both are guided by the same basic idea that inclusion mainly is promoted via employment and that employment guarantees economic prosperity and ease the state's financial burden.

A weakened demand for labour power and an increase of layoffs will put the government's policy to the real test. As long as there is a demand for labour it is also possible for individuals to respond the government's 'work-line-policy'. But, what happens when there are no jobs to look for? As far as I can see there is no discussion about any alternative actions in case demand for labour drops significantly. Instead the government underline that they will continue to pursue the current policy as if this policy can be promoted independently of labour market development. It is also worth to notice (not discussed in the NRP) that groups with weak labour market attachment are the last one to get a job when the labour market expands and they are most probably the first one to lose their job when demand is falling. Hence, the recent progress when it comes to male immigrants' and young peoples' employment rate can turn out to be temporal.

Also, regardless of labour market development, the government needs to have a realistic goal when it comes to employment rate and to what degree individuals can participate at the labour market. Making work pay more and unemployment/not participating in the labour force pay less will probably increase the supply of labour and increase the employment rate, at least as long there is a demand for labour. Strengthening work rehabilitation among people with health problems, facilitating a return to the labour market and preventing long term transfer dependency will, if it succeeds, also lead to a positive development when it comes to exclusion. *But, the government has almost nothing to say about those who for various reasons cannot find an entrance to the labour market, cannot return to work because of serious health impairment, those who because of disability never have and never will be able to work in an open market and, those who cannot manage a full time work.* These are people that will be affected by the government's retrenchments when it comes to replacement rates and eligibility but who do not and will not benefit from in-work tax deductions. There is an obvious risk that the current policy will lead to increased exclusion and poverty among those who are standing furthest away from the labour market. The recent dramatic economic development makes this question even more important.

The problem is exemplified in Table 1. Poverty is, as expected, much more common among those who are not employed compared to the employed. Recent research has also shown that in-work poverty is a very small problem in Sweden, which means that employment in most cases protect people from poverty (Halleröd and Larsson 2008). But, we also find large differences among different categories of the not employed. The situation for students is worsening over time and the latest figures show that more than one third of the students are poor. Even though we have to take poverty among students seriously we also have to remember that this is a temporal situation that can be seen as an investment for the future. The unemployed, early retired and long term sick are increasingly exposed to poverty. Today the poverty rate in this group is three times

as high as among the employed. Much of the government's action is directed towards this group, trying to move them from the not employed group to the employed group. However, the really problematic group is the category 'others'. Here we find the section of the population that stands furthest away from the labour market. More than every second person in this group is poor. It is of course important to make this group as small as possible but it is probably not possible to eradicate it completely. Poverty in this group is somewhat of a blind spot in the NRP (and also in earlier reports from the government).

The discussion about social economy, or social firms as it is called in the NRP, is very brief and do not give a very broad picture of the government's view on these kinds of activities. Another interpretation is of course that the brief discussion in fact do reflect the government's view, i.e., that the social firms are not that important. However, in the NRP the government discuss improvement for people with disabilities increasing the budgets for wage subsidies, development employment, security employment, sheltered employment with public sector employers and sheltered employment at Samhall AB. All of these measures are designed to integrate people with special needs on the labour market. Again the government follows its overall strategy arguing that the final goal is to use these measures as a stepping stone to get people into the regular labour market. Again they fail to recognize that some people will never get there.

A discussion about adequate minimum income, poverty and more specifically child poverty is on the whole absent from the NRP. In fact, making work pay is a corner stone in the policy and it is clear that the government sees the treat of an inadequate income as an important job incentive – the poverty risk makes people try harder to get a job. This basic view is, for example, used by the government to explain why they introduced additional waiting days in the unemployment insurance: *'In 2008 the Government made other major changes to unemployment insurance. The waiting period was extended a further two days, from 5 to 7 days, with the aim of having people avoid short periods of unemployment'* (NRP pp 71). This policy is also clear when it comes to activation programs, i.e., that moving from activation to regular employment should always be profitable, which by default mean that income among the 'activated' need to be relatively low. For example, when discussing the so called job guarantee for young people (covering people between the ages of 16 and 24 and who have been registered as unemployed for more than three months): *'Compensation for participants is designed in such a way that it will not be worthwhile to be unemployed compared with studying in the regular education system'* (NRP pp 62). Considering the fact that more than a third of all students have an income below the poverty line it becomes apparent that adequate income is not at the government's priority list.

Table 1: Poverty rate (< 60 per cent of median income standard) by household type and age 1996-2001 (individuals 20- years old)

	2000	2001	2002	2003	2004	2005	2006
Employed	3.8	4.0	4.4	3.9	4.1	4.0	4.0
Not employed	15.4	17.3	19.0	18.8	21.0	22.7	23.9
Students	21.9	25.1	29.4	26.5	32.3	35.9	34.5
Unemployed, early retired, long term sick	6.6	8.2	8.5	9.1	10.3	10.9	13.4
Others	44.1	47.8	49.7	53.7	53.0	50.5	53.6
All 20 – 64 years old	6.7	7.3	8.0	7.7	8.3	8.7	8.6

Source: Income distribution survey 2006

2.1 Overall assessment

The government has, as made clear in earlier reports and also in the text above, a unambiguous and explicit (but not using the exact terminology) feeding in and feeding out perspective. Referring to the Lisbon agenda they design a policy that contributes to more jobs, growth and a sustainable economic development at the same time as labour market inclusion is supposed to increase social cohesion and guarantee the financing of a comprehensive welfare policy, high quality education and research. This perspective has not been strengthened or given more attention compared with earlier reports; it has remained just as strong.

The slowdown of the economy is discussed in the NRP as well as in other policy document (as for example the government's budget proposal). The dramatic recent development is also touch upon but the impact is of course very hard to judge at this stage, all we know is that it will have additional negative impact on the economy and, not the least, the labour market. Much of the government's policy builds on the assumption that making work pay and limiting access to social insurance will help to increase the employment rate. The underlying idea, even though not explicitly expressed, is that economic incentives will change peoples' behaviour so, putting it simply, that individuals try harder to get a job or to start a business. Such a policy might be successful in a rapidly growing economy with an expanding labour market. But, a policy that under positive economic circumstances can be successful runs an apparent risk to considerable less favourable during an economic downturn. The same mechanisms that make individuals grab the opportunities offered by an expanding labour market can cause poverty and social exclusion when there are no opportunities to grab. This problem is not discussed in the NRP. There is basically no adjustment of the NRP in relation to the bleak economic forecast.

There is no strengthening of the links between the NRP and the Social Protection and Social Inclusion Process. The government has put all the eggs in one basket – employment is assumed to solve (almost) all problems.

2.2 Feeding out

Employment and feeding out

The government has via reforms of unemployment insurance and sickness insurances emphasised that these types of income protection are temporarily. In doing so they will promote unemployed individuals to look for jobs that not necessarily are of the same type as the previous job, that do not match acquired skills, and also looking for jobs outside the local labour market area (i.e., people should move to where they can get a job). In a way this will lead to a more flexible labour market but not necessarily a more secure labour market. What we see is flexibility via the 'stick'.

The government tries to target vulnerable groups by lowering pay roll taxes for young people (youth unemployment is high in Sweden), immigrants, long term sick, people with disabilities. They also introduce a system that will give newly arrived immigrant more instant access to the regular labour market. All these initiative are good from a social inclusion perspective but they all build on the assumption that there is a demand for labour power. There is an obvious risk that these measures are less effective in a situation of increasing unemployment. Researchers has also questioned the efficiency of these kind of measures arguing that they first and foremost leads to substitution effects (person B gets employed instead of person A) and of crowding out effects (employers that can utilize the system gets comparative advances but the overall employment rate remains the same)(Marx 2005).

Sweden has no minimum wage legislation. Minimum wages are instead secured via collective bargaining. An important aspect of this system is that the unions in praxis have the ability to enforce collective agreements even though workers in a particular workplace are not members of any union (companies that refuses to sign the agreement can be blockaded by the unions, which effectively means that they will run out of business if they do not comply). Recent research shows that this system is effective in order to prevent in-work poverty (Halleröd and Larsson 2008). In essence it means that government's focus on creating jobs is an effective way to reduce poverty and that it at the moment is more important to increase the demand for labour power than increasing minimum wages.

Sweden has a long tradition when it comes to reconciliation of work and family life. This policy has basically not been changed, at least not more than marginally. Parents has the right to 450 days of paid parental leave, day care is provided to all children from one year of age and after school care is offered to all children. Spouses are individually taxed. The system is discussed in the NRP and perceived as important in order to facilitate for both men and women to work.

Compared to other countries Sweden has a high employment rate among older workers and Sweden is already meeting the goals set by the EU. The pension system and some more recent tax adjustments are important parts of this development and in line with the general 'making work pay' policy. However, the fact that the development probably leads to larger inequalities among older retired people is not discussed in the NRP. It is the well educated high income earners that has the ability, health, and will to continue to work also in old age that gain from the system.

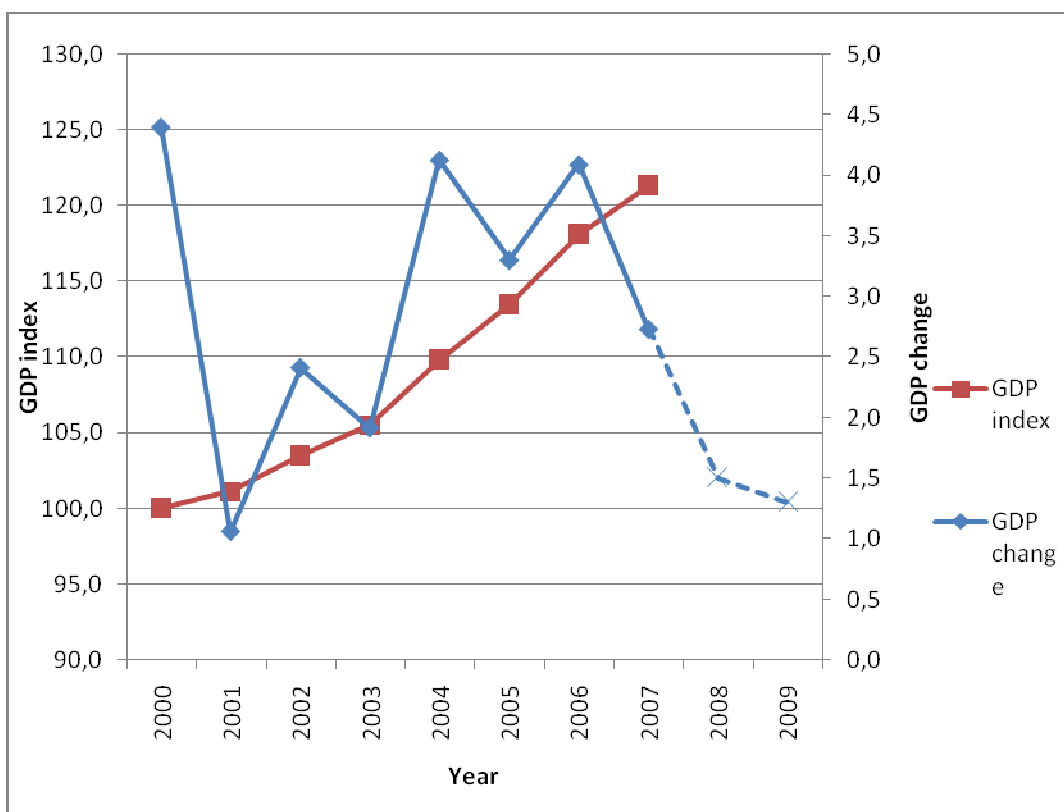
Economic growth, financial sustainability and feeding out

The average growth during the period 2000 – 2007 was 3 per cent, which in a European comparison is fairly good. The anticipated growth rate for 2008 and 2009 is much lower and the most recent (2008-10-29) estimations from the National Institute of Economic Research (Konjunkturinstitutet) indicates that Sweden will experience negative growth rate during the last quarter of 2008 and that the growth rate during 2009 will be close to zero or even negative. The economic crisis has also lowered expectations concerning unemployment and employment rate. Prediction made in August indicated a moderate increase of unemployment and a slight increase of the employment rate. The underlying assumption that makes both these prediction possible is the belief that the labour force is growing. Only three months later it is estimated that unemployment will increase from 6.1 per cent in year 2008 to 8.2 per cent in 2010. It is also predicted that the employment rate, instead of a slight increase, will fall with about 100 000 (Kojunkturinstitutet 2008).

However, Sweden's financial situation is rather favourable. After the dramatic economic downturn in the beginning of the 1990s Sweden has implemented a strict budget process and which has resulted in consistent budget surplus and decreasing dept burden. The government is therefore in a position in which they can implement a more or less straight forward Keynesian policy, i.e., expanding spending and cutting taxes in order to boost the economy and limit both the magnitude of the downturn and the social consequences of the downturn. One can always question the way the government chose to prioritize – they use substantial more money on tax cuts than on labour market measures and even though the government is changing legislation in order to ease the eligibility criteria for unemployment benefit and increasing the budget for active labour market measures is the opposition critical and want to see more money to labour market policy and less money to tax cuts. Anyway, Sweden is in the favourable situation to be able to act proactive when the economy is slowing down. The reason for this situation is a political consensus around the

necessity to keep finances in shape and to have a long term budget surplus – something that Swedish politicians learned the hard way fifteen years ago.

Figure 2: GDP index (year 2000=100) and annual change in GDP (per cent) year 2000-2007. Estimated change (government's budget proposal) of GDP 2008 and 2009.



Changes in fiscal policies have been designed to make work pay. The so called in-work-tax-deduction reform is explicitly put into place to increase the incentives to work. However, it also means that the gap between those who work and those who not work increases which, as discussed above, might increase social exclusion.

Regional differences are comparatively small in Sweden. There are some initiatives using social fund money but on the whole regional differences are not a big issue. Labour market policy has been adapted to promote regional mobility, which in practice means that people to a larger extent should move to where the jobs are.

To my knowledge, no initiative has been put into place to address any negative consequences of liberalisation of services. On the contrary, the current government believes that liberalization is a good thing and they do for example plan to lift the pharmacy monopoly.

The NRP does not discuss financial inclusion, internet access, over indebtedness or access to housing from a social inclusion perspective. These issues are to some degree discussed in the NSRSPSI.

2.3 Feeding in

I will be very brief discussing feeding in. I think the government basic idea is clear by now. People are included if they work. Working people, which is included people, creates wealth that gives the individual economic security at the same time as the state gets tax incomes. The NRP stress that what feeds out in terms of social cohesion also feeds in to the resources necessary to maintain a strong welfare state, educational system etc. That education and human capital is important for economic growth is also emphasized and the NRP shows that the government will improve vocational training and also improve training programs that are designed to meet demands for specific skills.

The current government has a rather high profile when it comes to educational policy. Behind this focus is a strong belief that education is pivotal for long term economical development and also individual's capabilities to fulfil their own goals and desires. This view on education is not something that is unique for this government it is the policy to reach this goal that is somewhat new (or, some people will argue, old). What the government does is basically to pursue a back to basic policy, i.e., better and earlier feedback to parents and pupils about their school achievement, a stronger focus on basic skills such as reading, writing, mathematics. The policy used to come to terms with school failure is outlined in the NRP and starts with reformation of pre-schools, primary and secondary school and also upper secondary schooling has been subjected to reforms, which among other things re-open a more clear-cut vocational pathway. Again it is too early to assess whether the policy has had any effect, many of the measures taken are either just implemented or just about to be implemented.

One way of assessing school policy is to look at the number of students that leaves the nine year compulsory school without being eligible to upper secondary schooling. As can be seen in

Table 2 it is somewhat more than 10 per cent each year that do not meet the requirements, a figure that has been fairly stable over time. Also consistently over time is that girls do somewhat better than boys. If these figures are high or low are hard to judge, there will always be a fraction that will not complete their education. It is likely that the figure could be lower than ten per cent but how much lower I do not know. The more alarming information given by

Table 2 is the situation among immigrant children. Almost every fourth child is leaving compulsory school without meeting basic requirements. Among boys it is even more than a fourth that fails to complete compulsory schooling. Also alarming is the negative development over time; the situation among immigrant children is deteriorating, which is troublesome given the longstanding effects of educational failure. In a couple of years we will have the opportunity to assess whether the new policy have had any effect. We have to wait even longer to know, if we ever will know, if the policy has any positive effects for the Swedish economy. Meanwhile we have to conclude that the government sees education as an important feeding in and feeding out tool.

A final reflection about education: The government talks about the importance of having a highly qualified staff of teachers and the NRP discuss measures to improve skills among teachers. However, they do not address the problem that Swedish teachers have comparatively very low wages which makes it hard to recruit and keep well educated and highly skilled teachers. There are also very few young people that are willing to educate themselves to teachers. This autumn some universities had to close down teacher-education programs because they could not get enough students to run the program. It is also the case, as a consequence, that it is very easy to be admitted to a teachers education program, which, to put it bluntly, means that it is not the sharpest and most motivated that becomes teachers. The long term impact of this situation is not

discussed in the NRP; there is for example no intention to do anything about teachers' salaries in order to make the job more attractive (the government strongly believes in economic incentives in other areas). When it comes to higher education the government talks about two things: First the government is taking measures to reduce political involvement in the governance of university and other institutions of higher education and to strengthen their autonomy. It is true that they have initiated an inquiry about the universities status as public authority. The actual policy has, nevertheless, hitherto been the opposite, increasing the government's direct involvement in the formulation of research priorities and funding. The government is also, in the NRP, discussing the need to improve the quality of higher education but without addressing the central problem, i.e., that university students get, because of budget constraint, too few hours of teaching. Instead the government allow the situation to deteriorate even further.

Table 2: Per cent of student that meets the qualification criteria for moving on the next level of schooling 1998 – 2003

	Year							
	2000	2001	2002	2003	2004	2005	2006	2007
Finished primary school – qualified for secondary schooling	89.4	89.2	89.5	89,9	89,6	89,2	89,5	89,1
Girls	91.3	91.0	91.0	91.0	91,1	90,7	90,7	90,4
Boys	87.7	87.4	88.0	88.7	88,2	87,9	88,3	87,9
Immigrants*	78.6	78.4	78.9	79,5	78,2	78.0	78,3	76,6
Girls	81.0	80.8	80.8	80.9	80,5	79.6	80,0	79,1
Boys	76.3	76.2	77.1	78.1	75,9	76.5	76,8	74,3

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

Source: Skolverket

Education within the realm of active labour market policy has always had the twofold aims; on the one hand to promote the individuals chances of entering the labour market and on the other hand guarantee that people in the workforce adapt their skills in order to meet new labour market demands. The Government aim to refocus employment training programmes and argue that they should be short and clearly focused on the demand for labour that cannot be met by the regular education system. Also different activation programs that assign different job to long term unemployed aim to fulfil these two goals (that is they are supposed to both feed in and feed out). As can be seen in

Table 3 the number of people involved in active labour market measures has decreased substantially between October 2006 and October 2007 followed by a slight increase in October 2008. Largely this development follows the general labour market development and the fact that the need for these kinds of measures has decreased from year 2006 until the recent economic crisis. Assuming that activation measures also reflects the general need to utilize available labour force and to improve human capital formation we can see that both women and men are treated as being equally important. We can also see that immigrants are well represented in active labour market measures. For the latter group it is clear from the NRP that the government sees employment among this group as both a way to ensure inclusion and to generate growth.

Table 3: Number of people involved in active labour market measures October 2006-October 2008

	Oct. 2006	Oct. 2007	Oct. 2008
All	108 513	61 900	74841
Men	52 185	30 890	37489
Women	56 328	31 010	37352
Youth	23 118	10 121	15579
Immigrants		16534	20012

Source: Labour Market Agency

Anti-discrimination policies are not directly addressed in the NRP. The way the government deals with this issue is in line with their overarching strategy, that is, people are integrated if they work. From this perspective the NRP includes anti-discrimination measures describing policies for faster labour market integration for new immigrants. Again this is both a feeding out and feeding in measure.

2.4 Involvement of stakeholders

It is clear that the government has included, in a traditional Swedish way, representatives for unions, employers and different types of expertise when developing its policy for growth and jobs, which is reported in the NRP. However, there is no sign that there has been any involvement by organizations more directly concerned with social inclusion (although for example unions traditionally are involved in these kinds of issues). In the NSRSPSI the government reported a range of activities involving social inclusion stakeholders. Roundtable discussions at several occasions with representatives for different state authorities, representatives for local (municipalities) and semi-local (counties) authorities, unions, employer federations and, a wide range of NGOs were reported. The government also kept contact with the Committee for User Influence in Social Development Process the NGO Network against Social Exclusion, which is an umbrella organisation for a large number of NGO like the Red Cross, Save the Children etc plus organisations that represent users, such as drug abusers, women who been exposed to domestic violence, minorities such as Romanise etc. Several seminars have been held at different locations in country in order to get information into the policy process.

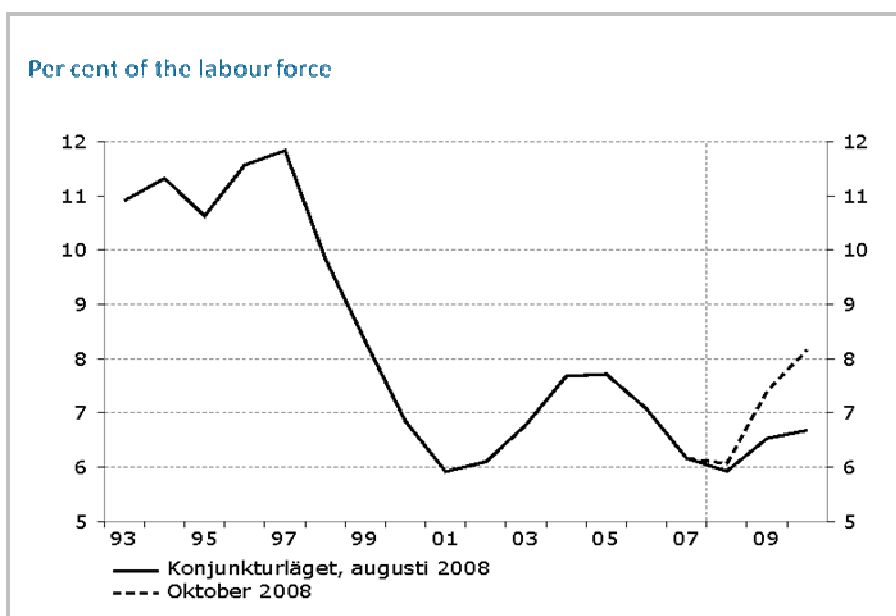
Considering the fact that the basic policy behind the NSRSPSI and the NRP is the same, it is somewhat strange that the government is not involving these stakeholders in the NRP process. On the other hand, one can say that it is not strange at all since social inclusion issues are basically absent from the NRP – in the NRP inclusion is basically seen as a by-product of growth and employment. However, what it indicates is that these stakeholders are not really involved in the NSRSPSI.

3. Update on key social indicators

In the revised guidance for this report the Commission ask for updated information that can mirror the impact of the current economic crisis. The commission ask for information about poverty in 'real time'. That is of course impossible to deliver. Many of the policy measures reported in the NRP were implemented in 2007 and 2008. In the NRP the government, correctly, draw the conclusion that the time span is too short to evaluate the impact of the policy. What we can see is the immediate changes on the labour market and some macroeconomic indicators. To say something about the impact on poverty and social exclusion is much harder. The current crisis also shows, in a very clear way, how difficult it is to evaluate any policy. The crisis will lead to negative effects but how can we know if the policy implemented by the government is making the crisis worse or less worse compared to any other policy. It could also be that the government's policy, that in a basic sense is shifting the responsibilities from the state to the individual, is making the Swedish economy more resilient at the same time as some individuals are more exposed to poverty and social exclusion.

So, what we know that this moment is that the economy is deteriorating in a way that basically no one anticipated just a couple of months ago. Figure 3 shows the unemployment rate from 1993 to 2007 and thereafter the estimation of the development. In August 2008 Konjunkturinstitutet (and the government) estimated a moderate increase from around 6 per cent to 6.5 per cent. In October the estimated increase is from 6 per cent to above 8 per cent.

Figure 3: Unemployment: Preliminary estimation – October 2008

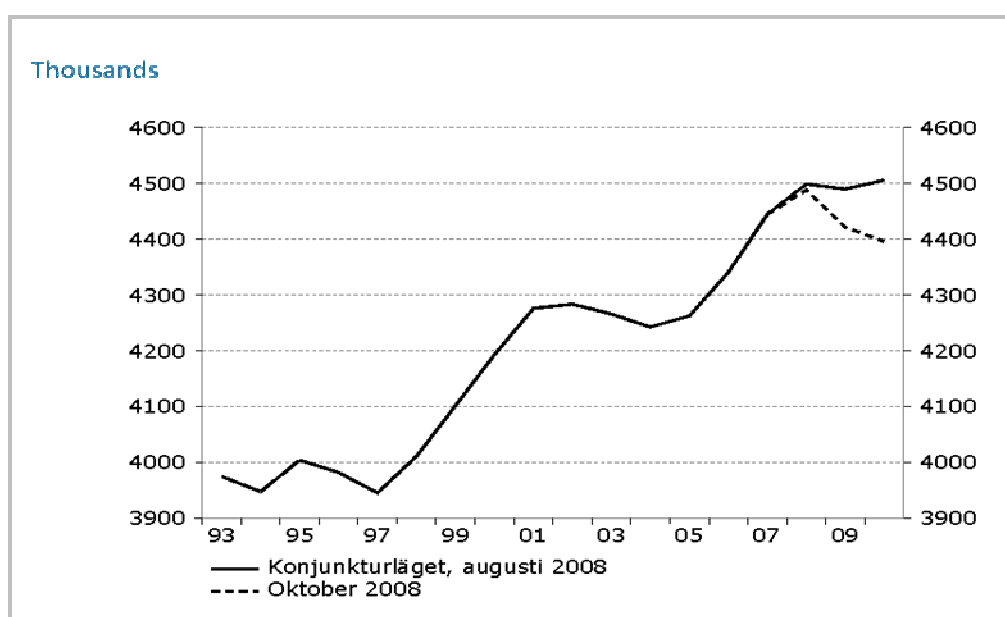


Source: Konjunkturinstitutet

As late as in the budget proposal presented in September 2008 the government predicted almost no change of the employment rate. The revised figures (Figure 4) from October estimate a decrease with about 100 000 full time jobs. What this development means is that the government policy will be put to the test. There has been some amendments regarding eligibility criteria for unemployment insurance but the main policy, based on increased employment rate, is not

changed. A central feature of this policy is to maintain an economic cleavage between those who work and those who do not, i.e., the government is following the Lisbon agenda making work pay. It might be that this is a policy that actually limits the economic consequences of the crisis and it might shorten the crisis. However, it is very hard not to anticipate higher poverty rates, larger differences between labour market insider and outsider, less social cohesion etc. It is also an apparent risk the negative effects first will hit groups that were the latest to benefit from the last couple of years' positive labour market development, that is, immigrants, the young and people with disabilities. Time will tell if this forecast is correct or not. Time will also tell how deep the current crisis will be. Today, autumn 2008, we can only speculate and a lot of people do speculate but that is something that I do not really want to be a part of.

Figure 4: Employment rate: Preliminary estimation – October 2008



Source: Konjunkturinstitutet

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