



The Swedish Reform Programme for Growth and Jobs

Progress report 2007



REGERINGSKANSLIET

Government Offices
of Sweden





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Progress report 2007



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1 The Swedish Reform Programme for Growth and Jobs – Progress report 2007

1.1 Introduction

The EU Strategy for Growth and Jobs, the Lisbon strategy, lays the basis for EU's joint work to meet shared challenges. It is about the creation of macroeconomic stability and the enhancement of the EU's competitiveness by investing in research and education, improving the business climate and implementing the internal market. It is also about reforms to improve the functioning of the labour market in Europe and strengthen social cohesion, as well as to safeguard environmentally sustainable growth.

Under the strategy, the Member States are to draw up national reform programmes showing how the strategy is being implemented at the national level. The Swedish Reform Programme for Growth and Jobs 2006 to 2008, presented the Government's policy, which is to lay the basis for long-term sustainable economic development, create scope for the provision of increased welfare and meet future challenges. This progress report for 2007 gives an account of the next stage in the Government's policy with its focus on making it worthwhile to work and run a business.

Full employment for better welfare and more equity

The Swedish economy is growing rapidly. More and more people are getting jobs, while sick leave, open unemployment, and the number of people in labour market measures is declining. Thus the total number of people excluded from the labour market is falling markedly. Reducing exclusion and getting more people to work is the Government's overall and most important goal. With more people working and fewer outside the labour market, there is scope for continuing to reduce taxes and develop welfare services. This lays the basis for long-term growth that safeguards our welfare system while maintaining strong public finances.

Despite good growth, much still remains to be done to make Sweden a country of full employment again without too many people stuck in passivity, their ability to work unused. There are still too few ways back to work and the incentives to work are too weak.

If Sweden is to meet the challenges ahead, it must have a strong economy. It requires an economy that can respond to the increased demand for welfare services as the population ages. It requires a strong economy that enables people to enjoy a better everyday life, eliminates poverty and provides security for the elderly. It requires a strong economy that is sustainable in the long term and makes it possible to take measures to counter climate change. It requires an

economy that can also withstand a recession. It is also an economy that can position itself well, given the increased competition that globalisation brings.

Keeping public finances in good order in both the short and the long term is a cornerstone of the policy to create more jobs and attract more people into the labour force. A responsible policy with good public finances safeguards welfare systems for future generations. The surplus target for general government net lending will be maintained and each reform will be examined in light of what the economy can bear.

More and broader ways back and stronger incentives to work

The Government is making a number of reforms aimed at creating clearer incentives to work and more and better ways back for those who are now outside the labour market. Income taxes especially for low- and middle-income earners were lowered in 2007 and further reductions have been proposed for 2008 through an enhanced in-work tax credit. It makes it pay to begin working, but it also strengthens the incentives for those already working to increase the number of hours they work.

The Government has proposed a number of measures to provide more ways back from sickness absence to work. A rehabilitation chain with fixed points at which a person's capacity to work will be reviewed is being introduced and benefit rules will be clarified. The possibilities for people on sick leave to test their capacity to work are being reinforced and support to help them return to the labour market is being improved. A rehabilitation guarantee will be introduced and occupational health services improved.

New initiatives have distinctly improved and further strengthened the incentives for employers to take on people from groups with a weak foothold in the labour market – for example, young people, the long-term sick and the foreign born.

Growth and entrepreneurship in all parts of Sweden

A good entrepreneurial and business climate in all parts of Sweden is crucial for the Swedish economy to grow and be vigorous. Entrepreneurs, investors and business people bring renewal and play a key role in the continuous building of an economy that stands firm in a changing world. The way to full employment and rising prosperity is through a dynamic business sector in which entrepreneurs and business leaders want and dare to take new ventures.

The Government has initiated a comprehensive effort to improve the business climate and the conditions for starting and running a business. The establishment of a regulatory council has been proposed as part of the work to reduce administrative costs to businesses arising from government regulations by at least 25 per cent through to 2010. The Swedish Competition Authority has received increased funding to ensure that small businesses have greater access

to public procurement and to strengthen the work fighting cartels. Measures have been taken to boost the number of players and increase diversity in the health care and social services sector. The wealth tax is being abolished. This will make it easier to find venture capital. Lowering employers' contributions to social insurance has made it more worthwhile to run a business. The Government has announced a cut in the employers' contribution for certain parts of the service sector aimed at stimulating the demand for labour and combating undeclared labour.

Quality in research and education

It is vital for economic growth and prosperity to maintain a high standard of education and research. Sweden needs well-educated labour to create growth and increase prosperity. High quality in higher education lays the groundwork for future research and development.

Resources for research are being enhanced and in autumn 2008, the Government intends to present a research policy bill proposing measures to improve the quality of Swedish research. The Government has begun preparation of an extensive reform of the Swedish education system. The work aims to strengthen the duty of schools to promote knowledge, to enhance the status of the teaching profession and increase the supply of well-trained teachers. The upper secondary school needs to be reformed and the Government intends to come back with proposals on a new upper secondary school.

Sustainable development

Long-term sustainable development is an important goal of economic policy. The EU's climate and energy policy targets adopted at the meeting of the European Council in March 2007, which include a goal of reducing greenhouse gas emissions by 20 per cent by 2020, form a natural starting point for the broadly based national policy that the Government wants to develop in these areas.

The Government will spend SEK 1 billion on climate matters between 2008 and 2010. The measures will include climate research, energy efficiency, support for a second generation biofuel and for cooperation in international research, and a national network for wind power production, a sustainable harvest of biomass in agriculture and forestry, climate investments in other countries and a programme for sustainable cities.

The Government is making a conscious effort to integrate environmental and business policy. Financial policy instruments and publicly financed research have helped make Sweden a world leader in several areas in environmental and energy technology. This strengthens Swedish competitiveness and helps create new jobs and a strong economy and multiplies the environmental benefit from Swedish environmental technology.

1.2 The state of the economy in Sweden

During the first half of 2007, Swedish GDP has continued to grow at a rapid, albeit somewhat calmer pace. The Swedish business cycle has entered a more mature phase driven increasingly by domestic demand. Household consumption has grown at a steady pace and investment has risen sharply. However, product export growth has eased as a result of the slowdown in demand in world markets.

GDP is expected to continue to grow rapidly in 2007 and 2008. For the rest of 2007, domestic demand will remain the primary engine of GDP growth. High capacity utilisation and favourable financial conditions in enterprises will help maintain the high investment growth in industry until the end of the year. In other areas such as energy and household-related services, investment is also increasing rapidly this year. The strong growth in household consumption will continue, powered by rapidly rising disposable incomes, increasing employment and a good current wealth position. With strong municipal finances, public consumption is increasing in the municipal sector.

Forecasts of GDP growth in 2008 indicate that there will be a better balance between domestic and foreign demand as investment will increase more slowly while product exports will rebound due to a recovery of world market demand. Investment growth is expected to peak in 2007. With the expanded production capacity fully used and higher interest rates forecast, investment will grow more slowly in 2008. Nevertheless, domestic demand will be good in 2008 owing to a sharp increase in household consumption.

Employment growth turned upward two years ago. In the past year it has grown rapidly while unemployment has fallen substantially. The prospects for a sustained rise in employment are deemed to be good. Overall, employment is expected to rise by 2.3 per cent this year and 1.2 per cent next year according to the Government's estimates. Although there has been a sharp reduction in labour market policy programmes since the end of 2006, open unemployment has continued to fall. Both open and total unemployment, that is, the sum of open unemployment and people in labour market policy programmes, will continue to fall during the rest of 2007 and 2008.

In the past four years the pace of wage increases has slowed. In 2007 and 2008, the rate of increase is expected to speed up as a result of increasing resource utilisation in the labour market. Higher wage agreements than in the previous wage negotiations means a markedly higher rate of increase in 2007. In 2008 wage rates will rise as a result of increased wage drift. For the economy as a whole, nominal wages are estimated to increase by 4.0 per cent in 2007 and 4.7 per cent in 2008. In 2009 and 2010, the rate of increase is expected to lessen. Overall, real wages are expected to rise by almost 2 per cent a year during the next four years.

In recent years domestic inflationary pressure in the Swedish economy has been low. There has been plenty of labour available, wage increases have been moderate and productivity growth has been high. In 2006 and 2007, prices for domestically produced goods and services have begun to rise more quickly. In addition, the prices of imported goods have risen at a higher rate, but during large parts of 2007, energy price developments have held inflation in check. Underlying inflation, measured using the Riksbank's (the Swedish Central Bank) UNDI_X measure, is still below the Riksbank's 2 per cent target. In the next two years a growing shortage of labour is expected to push up wages and prices considerably while productivity growth will slow down. Consequently underlying inflation is expected to exceed the inflation target by the end of 2009. In 2009 higher interest rates and wages are expected to lead to a gradual lessening of demand and employment growth. Underlying inflation is predicted to fall back toward the inflation target during 2010, although there may be some delay. During the entire period, rising interest rate costs for real estates will contribute to inflation measured using the consumer price index (CPI) being higher than underlying inflation measured using UNDI_X. The Government's policy of stimulating the labour supply is estimated to hold wage increases and inflation in check during this period.

Table 1. Demand and output and selected statistics

	2006	2007	2008	2009	2010
Household consumption	2.8	3.0	3.8	3.2	2.3
General government consumption	1.8	1.6	1.0	0.3	0.1
Gross fixed capital formation	7.9	9.4	4.6	3.5	3.4
Changes in stocks	0.0	0.2	0.0	0.0	0.0
Exports	8.7	5.3	6.0	6.0	6.0
Imports	7.9	7.4	6.5	6.5	6.3
GDP	4.2	3.2	3.2	2.5	2.2
Regular employment rate ¹	73.5	74.9	75.6	75.8	75.6
Open unemployment ²	5.4	4.4	4.0	4.1	4.3
Total unemployment ^{2,3}	8.4	6.5	5.8	5.9	6.2
UNDI _X , annual average	1.2	1.2	1.8	2.3	2.3
CPI, annual average	1.4	2.2	2.8	2.9	2.5

Sources: Statistics Sweden and Ministry of Finance.

¹ The number of people in regular employment aged 16–64, i.e., excluding people employed in labour market policy programmes, as a percentage of the population in this age group.

² As a per cent of the labour force.

³ The number of people in open employment and in labour market policy programmes.

1.3 Preparation of the Swedish Reform Programme for Growth and Jobs

The EU Strategy for Growth and jobs, the renewed Lisbon Strategy, has now been in force for three years. At the meeting of the European Council in March 2005, the Heads of State and Government decided a renewed strategy for deepening political commitment and implementation at the national level. In accordance with the decision, the European Council called on Member States to present national reform programmes for growth and jobs for 2005 to 2008 as well as annual progress reports. The reform programmes and the annual progress reports now constitute an important basis for the Commission and the European Council in their examination of the Member States' implementation of the Lisbon strategy.

The basis for the reform programmes and the annual progress reports are the Integrated Guidelines (see Appendix 2). The Integrated Guidelines consist of the Broad Economic Policy Guidelines and the Employment Guidelines. The Guidelines respond to the main challenges that lie ahead, such as globalisation and the ageing population and focus on reforms to promote competitiveness and economic growth as well as more and better jobs within the overriding target of sustainable development. Accordingly, there is a strong link between the Lisbon strategy and the European Strategy for Sustainable Development, approved by the European Council in June 2006.

In November 2006 the then newly elected Alliance Government presented its reform programme for growth and employment 2006 to 2008 (The Swedish Reform Programme for Growth and Jobs, Comm. 2006/07:23). This Communication is a progress report on Sweden's Reform Programme and presents how the Government's ongoing policy for sustainable growth and full employment is conducted.

Communication to the Riksdag

One important aim in establishing national reform programmes was to involve the national parliaments and other national stakeholders more in the effort to implement the Lisbon strategy. This Progress Report is being submitted to the Riksdag as a Government Communication at the same time that it is presented to the European Commission, as was the Government's Reform Programme for 2006 to 2008.

The Riksdag considered the Swedish Reform Programme for Growth and Jobs 2006 to 2008 in early 2007 (Report of the Parliamentary Committee on Industry and Trade 2006/2007:NU7) and discussed it in plenary session on 28 February 2007.

The role of the Government Offices

The broad strategic policy approach taken by the Government to meet the Lisbon targets has involved most ministries in the Government Offices in the pre-

paration of the Swedish Reform Programme. The chief responsibility for the work has rested with the Prime Minister's Office.

Consultation with the social partners

The social partners play a key role in creating conditions for sustainable growth and full employment. The social partners were consulted as part of the preparatory work on the Swedish Reform Programme and the Progress Report. The social partners (the Confederation of Swedish Enterprise, the Swedish Trade Union Confederation, the Swedish Confederation for Professional Employees, the Swedish Confederation of Professional Associations and the Swedish Association of Local Authorities and Regions) contributed joint submissions to the Reform Programme for 2006 to 2008 and to the Progress Report, presenting, among other things, results from negotiations on several issues.

The Swedish labour market has a high degree of organisation, a broad coverage of collective agreements and a well-developed social dialogue. The social partners traditionally resolve many issues by means of collective agreements without central government intervention in the form of legislation or involvement of public authorities. The social partners also have a central role in implementing EU directives and guidelines through arrangements in collective agreements.

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

Consultation with the civil society

In June 2007 the Government invited some seventy civil organisations in Sweden, the social partners, industry bodies and public authorities for discussions on the implementation of the EU strategy for growth and jobs in Sweden, as well as on the organisations' work on Lisbon-related matters. These roundtable discussions took place on three separate occasions and a total of some fifty organisations participated. The organisations were also invited to present written submissions, which some twenty organisations did.

Implementation at regional and local levels

A clearer integration and connection between policy at the central level in Sweden and the regional and local development work is of great importance for the successful implementation of the Lisbon strategy. In December 2006 the Government presented a national strategy for regional competitiveness, entrepreneurship and employment for 2007 to 2013 (see Guidelines 10 and 17).

The strategy lays the groundwork for the implementation of the cohesion policy in Sweden and will serve as a guide for the work on regional growth. The counties' strategic instruments are the regional development strategies in which regional priorities for sustainable development are identified. Priorities are implemented in part through regional growth programmes and Structural Fund programmes.

The Government has established a national forum for regional competitiveness, entrepreneurship and employment to further develop the dialogue between national, regional and local levels on regional growth issues. The establishment of a national forum is one way of increasing local and regional influence and responsibility. It is based on a shared responsibility between the regional and national levels for regional development, which requires a political dialogue and a shared view and understanding of important development issues. Political representatives from every county participate in the forum, which meets regularly. The first forum was held in spring 2007 and there will be two more during the autumn, one of which will specifically consider the implementation of the Lisbon strategy at the regional and local levels.

The National Board for Youth Affairs has been given the task of submitting proposals on how the municipalities and regions can be more closely involved in the national effort to implement the European Youth Pact at the local and regional levels (see Guideline 18).

In many places in Sweden local and regional initiatives are under way to develop processes that more clearly integrate the Lisbon targets into regional and local development efforts. The Swedish Reform Programme for Growth and Jobs 2006 to 2008 reported on initiatives in the County of Sörmland. Appendix 1 of this Progress Report is an account of the ongoing work in these municipalities. The Government welcomes these initiatives and regards them as important contributions to a coherent and results-oriented implementation of the Lisbon strategy in all parts of the country. It hopes that the work carried out in the County of Sörmland will serve as an inspiration for other regional and local players.

In June 2007, the Regional Council of Sörmland and the Stockholm Region, together with the EU network, the Lisbon Regions Network, organised a seminar on the implementation of the Lisbon strategy at the local and the regional levels with the theme "Reaction to action". The aim of the conference was to identify specific joint measures to deliver results that help achieve the Lisbon goals. By discussing the challenges facing the regions in their work to implement the Lisbon strategy, possible measures were identified to move forward and transform good intentions into reality. Members from the Lisbon Regions Network as well as politicians and officials at the national, regional and local levels participated in the seminar and debate.



Guide to this Progress Report

The report is divided into three main sections – macroeconomic policy, micro-economic policy and employment policy – in accordance with the Integrated Guideline's structure. Under each guideline, the policy's aims and orientation and the measures that the Government has under way or planned for the period 2007 to 2008 are reported.

2 Macroeconomic policy

The Government's policy is to lay the groundwork for sound long-term economic development and increased welfare. A cornerstone in maintaining such development is long-term sustainable public finances. One important goal of fiscal policy is reducing the public debt. To safeguard welfare in the long term, general government net lending must be equal to one per cent of GDP over the business cycle.

Economic policies in Sweden are therefore aimed at measures leading to sustainable higher employment and a reduction in exclusion. The measures take a broad approach and aim at stimulating both labour supply and demand. Achieving the goals requires coordination of measures in different areas. One important goal of economic policy is therefore to foster a consensus between macroeconomic policy, structural policy and employment policy. A number of measures have been taken in recent years that make work more worthwhile, make it simpler to take on new employees and that improve matching in the labour market. The most important measures include in-work tax credit, changes in unemployment insurance, new start jobs and a new job and development guarantee. A more detailed account of the measures can be found in the guidelines that follow.

2.1 Guidelines 1–3 and Guideline 5 – Securing economic stability, safeguarding economic and fiscal sustainability and the efficient allocation of resources

Sound public finances

One important objective of fiscal policy is to ensure that the general government finances are on a sustainable course in order to secure the long-term development of welfare. The public debt is to be reduced. This reduction will allow stable tax rates at a lower level than at present and favour growth and employment to create the conditions for economic and fiscal sustainability.

Sweden's public finances continue their robust development at a level well in line with the requirements of the Stability and Growth Pact. The target of a surplus in government net lending decided by the Riksdag establishes the framework for fiscal policy. Following a decision by the Riksdag, the surplus target was adjusted in spring 2007 from 2 per cent to 1 per cent of GDP over the business cycle. The adjustment was made in view of Eurostat's decision that the savings in the premium pension system (PPM) are to be reported in the household sector of the national accounts. Previously they were reported in the public sector. Under the 2008 Budget Bill (Govt. Bill 2007/08:1), the surplus for 2000 to 2006 was on average 1.1 per cent of GDP and is estimated to average 3.1 per cent of GDP for 2007 to 2010.

In the Spring Fiscal Policy Bill for 2007, the Government set out the principles for the fiscal framework. The Government stipulated that the target for government net lending needs to be maintained for the current electoral period and for as long as necessary for the long-term sustainability of the public finances. A surplus in line with the established target provides a stable foundation for meeting the challenges posed by the coming increase in the proportion of older people in the population and for conducting a countercyclical fiscal policy when necessary. The main purpose of the multiyear expenditure ceiling is to provide the basis for achieving the surplus target. The Government intends clearly to state the considerations that underlie the estimates and proposals concerning the expenditure ceiling's level. In this connection estimates of the desired tax levels and risks and uncertainties in expenditure growth of expenditures subject to ceilings will be taken into account. In future Spring Fiscal Policy Bills, the Government also intends to estimate and provide a report on an appropriate expenditure ceiling for the third year ahead. In this way the medium-term perspective of fiscal policy is assured. Lastly, the central government budget will be constructed in a way that is compatible with the basic principles of full gross accounting.

Table 2. Public finances as a per cent of GDP

	2006	2007	2008	2009	2010
Net lending	2.4	2.9	2.8	3.1	3.6
Consolidated gross debt	47.0	39.7	34.8	29.8	24.5
Central government expenditure ceiling	31.5	30.6	30.0	29.4	28.9

Source: Statistics Sweden, Ministry of Finance.

Stable prices

There is no single measure of inflation that consistently indicates the appropriate stance of monetary policy. Monetary policy acts with a lag and is normally focused on achieving the inflation target within two to three years. The time horizon also provides scope for taking fluctuations in the real economy into consideration. Thus the Riksbank can conduct a flexible monetary policy. To make monetary policy more transparent, as from 2007, a forecast of the repo rate will also be published.

Inflationary pressure has gradually begun to rise from a very low level. Underlying inflationary pressure is expected to rise relatively quickly in 2008 and 2009 and then ease somewhat in 2010. In June 2005 the Riksbank cut its key interest rate to a historically low 1.5 per cent. Since then the Riksbank has gradually raised it. On 7 September 2007 the repo rate was raised 0.25 per cent to 3.75 per cent.

Table 3. Inflation and interest rate trends

	2006	2007	2008	2009	2010
Inflation, CPI, Dec-Dec	1,6	3,0	2,7	2,9	2,2
Underlying inflation ¹	1,2	1,4	2,2	2,5	2,1
Repo rate	3,00	4,00	4,50	4,75	4,25
Long-term interest rates	3,65	4,95	5,05	5,20	4,55

Source: 2008 Budget Bill.

¹According to UNDI_X, December – December.

Jobs and growth

In order to safeguard economic and fiscal policy sustainability, more people need to be working. In spite of healthy growth and improvements in the labour market, exclusion remains a major problem. In 2006 17 per cent of the working age population (aged 20 to 64) was outside the labour force. In the longer term the growing proportion of older people in the population will also put pressure on the public finances. A greater supply of labour in the form of more hours worked, mainly in the private sector, is therefore crucial in supporting sustainable public finances. Therefore, the Government's sweeping policy changes reported in the Swedish Reform Programme for Growth and Jobs 2006 to 2008, aims to make work more worthwhile, make it simpler to take on new employees and increase the effectiveness of labour market policies. An earned income tax credit (see below), highlighting the work-first principle in unemployment insurance (see Guideline 19) and ensuring that the sickness insurance provides an incentive and an opportunity to return to work are among the measures that will make work pay. (See Guideline 18). Changes in the tax system make it more worthwhile for companies to take on new employees (see below). Measures to make labour market policy more effective are being taken. To make labour market policy more efficient the Government has change the policy course and reach and improved matching in the labour market (see Guidelines 17–21).

Tax and welfare measures for employment, entrepreneurial activity and growth

In order to make it more worthwhile to work, the tax and welfare systems must be designed so that they provide an incentive to work. The tax system is also of great importance for entrepreneurship (see Guideline 15).

An earned income tax credit, the so called in-work tax credit, was introduced at the beginning of 2007. It increases work incentives, especially for low and middle-income earners. The in-work tax credit makes it more profitable for those outside the labour market to take a job and it also contributes to increased labour supply from many of those who are already employed by lowering marginal tax rates. As a step in the efforts to enhance labour supply and employment,

the Government will present a bill in autumn 2007 to strengthen the in-work tax credit. To have the maximum possible effect on the labour supply and employment, the second stage, like the first, is aimed at making full- or part-time job economically more rewarding relative to unemployment or inactivity. Therefore, the larger part of the second stage in the in-work tax credit goes to low- and middle income earners. The levels in the tax credit will be raised and new levels will be introduced. The measure will reduce the tax paid by those with earned income by about SEK 2 400 a year on average. The increase in the net income for low- and middle income earners attributable to the total in-work tax credit will come to at least 6 per cent. The average tax is being lowered for everyone having earned income and the marginal tax on annual earned income diminishes for incomes up to SEK 280 000. It is proposed that the new provisions enter into force on 1 January 2008.

In autumn 2007 the Government intends to submit a proposal to the Riksdag on abolishing the wealth tax retroactively from 1 January 2007.

In spite of the good economic situation, the unemployment rate for the low skilled are still high. In addition certain segments of the service sector have a high percentage of undeclared work. As mentioned in the Swedish Reform Programme for Growth and Jobs 2006 to 2008, the Government intends to abolish social security contributions for certain segments of the service sector with the exception of the old age pension contribution in order to increase employment, improve economic efficiency and reduce undeclared work in the Swedish economy in a sustainable way. A specific proposal has now been put together and the Government will present a bill in autumn 2007. The reduction is selective and is therefore not expected to affect the general wage formation. The service industries covered by the proposal include e.g. repair and maintenance of passenger cars and recreational craft, restaurants, taxi, skin and hair care, and washing and dry cleaning for households. Before a system with reduced employers' social security contributions can come into effect, the European Commission has to review it for state aid and approve it. The Government's ambition is to have the proposal for reduced employers' contributions for certain segments of the services sector in to force by 1 January 2008.

On 1 July 2007 the law on a tax reduction for expenses for household services came into effect. Among the aims of the tax reduction are converting undeclared labour to declared and enabling women and men to increase the number of hours they work. In autumn 2007 the Government will present a bill to introduce a similar tax reduction for household work in the form of a taxable benefit beginning 1 January 2008. Furthermore an Inquiry Chair will submit proposals for to simpler and more efficient system for granting tax relief for household-related services (ToR: 2007:104). The inquiry is to report its findings no later than 16 June 2008.

How unemployment insurance is constructed affects the way the labour market works. The changes in unemployment insurance announced earlier and now implemented aim at enhancing its role as adjustment insurance and help people to get back to work more quickly (see Guideline 19).

To facilitate labour market mobility and support regional development, the deduction rules covering people having two residences are being changed in 2008. The major change proposed is that the deduction can be made over a longer period and that the terms will be simpler to comply with and put into practice.

To encourage employers to take advantage of older workers' experience and skills as well as to encourage older entrepreneurs to continue running their own businesses, the Government has announced in the 2008 Budget Bill the abolition of the special wage tax for people not covered by the reformed pension system, that is, people born in or before 1937.

Measures to fight fraud and overuse

A fundamental prerequisite for the legitimacy and financing of the welfare system is that benefits and allowances are only paid to people who are entitled to them. Thus effective controls are required. The Government has taken a number of measures to reduce overuse and fraud in the benefits and tax systems. This work is ongoing.

In the 2008 Budget Bill the Government has announced a number of new measures in this area. It involves reviewing issues such as internal governance and control in government agencies, regulations for requiring repayment of benefits and allowances, the basis for calculating income in the various social security systems, and time limits on the duration of benefits or retesting eligibility for benefits from these systems.

Work to reform the criminal law regulations has resulted in the Social Security Fraud Act (2006/07:80) that came into force on 1 August 2007. In addition the Riksdag has decided that interest will be due on social insurance repayment claims. The law came into force on 1 July 2007.

In spring 2007 the Government submitted a bill (2006/07:117) to increase employers' ability to control short absences due to illness. The bill proposes that beginning 1 January 2008, employers should be given the possibility of demanding a doctor's certificate from an employee from the first day of absence due to illness. The Riksdag will consider the bill in autumn 2007.

The work to prevent erroneous payments and social security fraud is being carried out by the Delegation on measures against incorrect payments from the social insurance systems (ToR. 2005:52), which will submit its report on 1 July 2008.

A new law has been adopted by the Riksdag requiring certain businesses selling goods and services on a cash basis to have a certified cash register (Govt. Bill

2006/07:105). The aim is to protect serious business operators from unfair competition from less serious operators and improve the tax system's legitimacy. Most parts of the legislation will come into force on 1 January 2010.

Increased efficiency in the public sector

Good management of the common resources, in addition to combating over-use and fraud in the tax and social insurance systems, also increases efficiency in the public sector. Therefore changes are being made aimed at increasing competition in the production of welfare services and reducing government bureaucracy.

The Government has taken several health care initiatives to stimulate the diversity of care givers in the publicly financed system. On 1 July 2007 the provisions in the Health and Medical Services Act (1982:763) restricting the county councils' right to transfer hospital management to private entrepreneurs (that is, the "stop law") were done away with. To give patients more freedom of choice, an inquiry has been appointed to present proposals on how free right of establishment for doctors can be introduced in primary care. In addition the age limit for doctors and physiotherapists in private practice who charge fees set by the national fee schedule has been eliminated as of 1 July 2007. The Government wants to make it easier for health care professionals to take over operations management from the municipalities and county councils. This matter and others concerning procurement legislation, etc. are now being considered by a special working group in the Ministry of Health and Social Affairs. As to the policy on elderly care, an inquiry chair has been asked to examine what needs to be done to increase freedom of choice in health care, support and services provided for the elderly and people with disabilities under the Social Services Act (ToR. 2007:38).

As a step towards improving management in the government administration and making it more effective, the Government has carried out a number of organisational changes. The Swedish Integration Board, the National Institute for Working Life and the Animal Protection Agency were abolished as of 1 July 2007. A number of small agencies have been or will be reorganised and amalgamated with larger agencies. The National Board for Public Procurement was abolished on 1 September 2007 and its activities have been placed in the Competition Authority. The National Institute for Psychosocial Medicine was abolished on 1 October 2007 and its activities were transferred to Stockholm University and the Karolinska Institutet. The Deposit Guarantee Board will be abolished on 1 January 2008, when it will be amalgamated with the Swedish National Debt Office.

As with many previous "public agency groups", the National Labour Market Board is being restructured as a single entity. The National Labour Market Board and the 20 county labour boards will be closed down on 1 January 2008

and their activities assigned to a new agency, the Swedish Public Employment Service. The Swedish Nuclear Power Inspectorate and the Swedish Radiation Protection Authority will be abolished and their activities transferred to a new agency on 1 April 2008.

It is the Government's view that the administrative structure needs to be rationalised and made more transparent. It is needed in order to become more accessible for citizens and business and also to facilitate cooperation between central government agencies as well as between the central government and municipalities. The Government therefore has given The Administration Committee the task of reviewing central government duties and organisation (ToR. 2006:123). The aims of the review are a concentration on the central government's core tasks, a clearer demarcation of the boundaries between management, policy and market and a bigger role for the civil society. The final report will be submitted no later than the 15 of December 2008.

2.2 Guideline 4 – Ensuring that wage developments contribute to macro-economic stability and growth

Since the beginning of the 1990s, the relative unit labour cost has fallen (measured in both national and common currencies). The Government is of the opinion that the 1997 Agreement on Industrial Development and Wage Formation and a high level of confidence in the Riksbank's inflation target have a normative effect on wage formation. In the coming years wages are expected to increase somewhat more quickly than what is considered compatible with the business sector's long-term capacity to pay. However, it should be pointed out that in the past four years the pace of wage increases has been below this level.

The main responsibility for wage formation in Sweden rests with the social partners. In 2000 the National Mediation Institute, a central government agency, was formed. The Institute's mission is to promote an efficient wage formation process with the goal of avoiding disputes in the labour market. There have been only a few disputes resulting from this year's major wage negotiations (see Guideline 22).

As previously mentioned, a number of measures have been taken aimed at boost labour force participation. In this way there is less risk of wage and inflation driven bottlenecks in the labour market. On 1 January 2007 a special in-work tax credit was introduced. There is a proposal to extend it in 2008 (see Guidelines 1–3 and 18 and 19). This measure, together with more self-financing of the unemployment benefit fund, is expected to further strengthen the conditions for a well-functioning wage formation in future. The measures to rationalise labour market policy are also important in this connection. Labour market policy resources are more clearly focused on matching jobseekers with job vacancies than they were previously.

2.3 Guideline 6

See guidelines 1 to 5.

3 Microeconomic policy

A good business climate and a good innovation climate in all parts of Sweden are crucial for the Swedish economy to grow and be vigorous. Such a climate, together with high quality education and research, will lay the foundation for economic growth and increased welfare in Sweden, in face of increasingly stiff global competition. Sweden must also be a leading knowledge and research nation characterised by excellence and a high capacity for product renewal. The way to full employment and rising prosperity is through a dynamic business sector in which entrepreneurs and business leaders want and dare to take new ventures. Long-term sustainable development is an important goal of economic policy. The Government is making a conscious effort to integrate environmental and business policy.

A stronger policy for competitiveness and innovation

The total investment in research and development in Sweden exceeds the Lisbon objective of 3 percent of GDP. A large part of it comes from the business sector. However, there are signs that Sweden's position in research has weakened. In order to increase resources for research, the Government intends to present a research bill in autumn 2008 proposing measures to improve the quality of Swedish research. Sweden needs to be better at transforming the results of publicly financed research into new enterprises and to make them available to the business sector in other ways, especially to SMEs. Measures to improve the protection of intellectual property rights are being taken and new initiatives are being announced.

Sweden should be a sustainable information society for all. IT is to improve the quality of everyday life and make it easier for individuals and enterprises. IT is also an important instrument for promoting sustainable growth. The development of eGovernment is an important instrument and central government agencies are to play a bigger role in facilitating the spread and use of information technologies.

Sweden's industry is highly competitive internationally and exports a high percentage of its products. A well-functioning internal market is crucial here. A green industrial policy is needed to meet the growing environmental demands. It is the Government's goal that both national and regional policies contribute to improving skills and competence in order to stimulate growth, innovation and company development in the business sector.

More competition and better conditions for running a business

The Government continues to work to improve the business climate and the conditions for companies in Sweden. It will be simple and profitable to start and run a business.

In the progress report presented in December 2006 (Communication from the Commission to the Spring European Council – Implementing the renewed Lisbon Strategy for growth and jobs (Com 2006 861 Final)), the Commission found that progress thus far in Sweden had been very good. The Commission pointed, for example, to improvements for SMEs.

It is the Commission's view, however, that Sweden must take further measures to strengthen competition, especially in the services sector. The Government shares the Commission's view and is taking measures to strengthen competition in the public sector. The Government is taking a broad approach, with measures aimed at strengthening competition and opening markets for more players. The Government also intends to increase the possibilities for small firms to participate in public procurement and the Competition Authority has been asked to support this process. A review of the competition laws aims at a more effective procedure for the implementation of rules concerning market damage fees.

The Commission also highlights the need to improve the system for impact analysis and simplification of rules. The work to achieve the objective to reduce the administrative cost by at least 25 percent by 2010 will be intensified. Last June the Government presented an action plan with 167 measures for simplifying the rules. A group of state secretaries in the Government Offices has been appointed with special responsibility for reinforcing the work on rules simplification. A new set of rules for impact analysis when issuing new rules will be adopted shortly and a regulatory council with the task of ensuring the quality of the analyses will be established.

The wealth tax will be abolished to facilitate capital formation in enterprises. The tax system will be better at promoting entrepreneurship, especially in the services sector, for example by tax reductions for household-related services and reduced social security contributions for parts of the service sector. VAT reporting will be simpler for small businesses. Entrepreneurship will be promoted throughout the education system. Initiatives are being taken to increase entrepreneurship among women and people with a foreign background.

Environment and energy

A comprehensive approach to environmental issues is necessary. The Government has put a high priority on measures to reduce emissions of carbon dioxide and other gases that have an impact on the climate. At the same time, the business sector is being mobilised in terms of research, technology development, a fast introduction of new technologies and export opportunities. A Commission for Sustainable Development, led by the Prime Minister, and a parliamentary climate commission reviewing Sweden's climate policy in preparation for a climate bill in 2008 have been appointed.

The Government is setting aside SEK 1 billion for 2008 through 2010 for climate measures related to the environment, forestry, agriculture and energy.

Together with long-term work to reach Sweden's environmental quality goals in 2020, the foundation is being laid for sustainable growth.

A green car premium have been introduced. R&D initiatives and demonstrations of environmental techniques are initially mainly aimed at vehicles. Decision has been taken on an action plan to strengthen environmental requirements in public procurement.

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

The aim of Swedish research and innovation policy is to make Sweden a leading knowledge and research nation characterised by excellence and a high capacity for product renewal. From an international perspective, Sweden has a high level of investment in R&D. Public R&D investments amount to 0.87 per cent of GDP. R&D levels in the Swedish business sector are among the highest in the world. In 2005 R&D investment by companies with 50 employees or more amounted to 2.64 per cent of GDP. In total Sweden's investment thus exceeds the target set by the EU Heads of State and Government in Lisbon in 2000 for an amount equivalent to 3 per cent of GDP to be set aside for R&D.

The Swedish Reform Programme for Growth and Jobs 2006 to 2008 reported an increase of SEK 2.34 billion in central government funding for research for 2005 to 2008 and additional funding of SEK 900 million for 2007 to 2009. It also presented a number of measures for strengthening the link between research and private enterprise.

There are signs that Sweden's position as a world leader in research has weakened in the past fifteen years. For a number of years, state resources for research and postgraduate education at academic institutions have been inadequate. R&D expenditure is high in the business sector, but it has been heavily concentrated in a few large international companies. R&D expenditure in SMEs is also low compared with many other countries and should be increased. In autumn 2008 the Government intends to present a research bill proposing measures to improve the quality of Swedish research and ways for public R&D investment to reach the Lisbon target of 1 per cent of GDP by 2010.

Increased public investment in research

In order to ensure high quality in Swedish research, maintaining a high level of investment and quality improvement will also be necessary in years to come.

As a step in the work to strengthen the non-profit sector and stimulate research, the Government intends to encourage donations by private individuals and companies. A committee of inquiry will therefore be appointed no later than 2008 in order to make it possible to make tax deductions for such donations. In addition, the Government intends during the mandate period to

abolish the VAT on external contributions to research at academic institutions, a step that will result in an increase in the resources of institutions for higher education by some SEK 350 million annually.

In 2007 and 2008, the main public sponsors of research and innovation are being evaluated. This evaluation will form the basis for developing their roles in the upcoming research policy bill.

Research for meeting the needs of the business sector

At the same time that the Government provides financing so that Sweden can continue to be among the countries with the most advanced research, it must also be ensured that research will more often lead to entrepreneurship and job opportunities. Sweden therefore needs to be better at transforming the results of publicly financed research into new enterprises and to make them available to the business sector in other ways, especially to SMEs. The holding companies at the universities and colleges as well as the Industrial Research Institutes play important roles here.

In 2007, the Agency for Innovation Systems (Vinnova), in cooperation with the business sector, initiated several R&D programmes in areas important for Sweden's economic growth with the aim of strengthening the competitiveness of the business sector. The programmes are financed jointly by the state and the business sector. They have been developed in close cooperation between the state and the business sector and the business sector also contributes at least half of the financing. The programmes run for 5 years.

In 2006, the programme Forska&Väx (Research&Grow) was initiated. It supports research and development in SMEs and is directed at both research intensive and less research intensive companies. Five application rounds were completed in 2006 and the first half of 2007. In this period, 1532 companies applied for SEK 2300 million. A total amount of SEK 256 million was granted to 252 companies. In the 2007 Spring Fiscal Policy Bill, the Government proposed that the programme be continued in 2008 onward.

Sweden has a small group of institutes, which are often sector specific. The basic financing of the institutes will be increased by SEK 65 million to SEK 210 million in 2008. A working group has made an action plan for the development and reinforcement of the institutes. The plan aims, among other things, to strengthen R&D in SMEs and make better use of research results coming from the academic institutions.

Measures supporting the protection of intellectual property

The protection of intellectual property is a prerequisite for investment in innovation and creativity. The Government therefore gives a high priority to a better handling of intellectual property rights. A number of measures for strengthening the legal protection and improving the handling of intellectual

property rights were reported by the Government in the Swedish Reform Program for Growth and Jobs 2006 – 2008. Several of these measures are ongoing and new ones are being announced.

Pending a solution at the EU level, the Government is examining the possibility of introducing property protection insurance at the national level for patents in order to strengthen small companies' chances of asserting their rights under patent law. The Government is holding discussions with the Swedish Inventors' Association, which is planning to introduce insurance in the Swedish market and has applied to the Government for financial support. The Government will watch the work and the outcome of the sectoral measures.

On June 1 2007 the Riksdag decided that Sweden would join two international patent conventions, the revised European Patent Convention (EPC 2000) and the Patent Law Treaty (PLT). At the same time, the Riksdag approved the Government's proposals for changes in the Patent Act to bring it in line with international conventions. A possibility for patent owners to limit their patent by administrative review is also being introduced. These measures will facilitate for companies to protect inventions in Sweden and internationally and give additional stimulus to investments in research and technology transfers. Most of the changes to the Patents Act came into force on 1 July 2007.

Copyright has become more important with the emergence of the information society. Copyright encompasses all media (newspapers, magazines, literature, TV, radio and multimedia), music and films, a large part of the IT-sector and so forth. On September 3, 2007 the Inquiry into Copyright on the Internet presented its report, "Music and Film on the Internet – threat or opportunity?" (Ds 2007:29). The report proposes measures for stimulating the development of consumer-friendly legal alternatives for accessing material, primarily music and film, on the Internet. The report has been circulated for comment in autumn 2007. During the year, the Government plans to appoint another inquiry in this area. The new inquiry will review the provisions in the copyright law on the transfer of copyright and matters that concern extended collective licenses.

In July a proposal on implementing the directive on the enforcement of intellectual property rights aimed at providing owners of such rights a better chance of asserting their rights was presented. Consultation bodies have been requested to submit comments on the proposal during the summer and autumn. The proposal is presently handled by the Government Offices.

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

The goal of the Swedish IT policy is for Sweden to be a sustainable information society for all. In Sweden's Reform Programme for Growth and Jobs 2006–2008, the Government's policy for achieving the IT policy goals was presented under

the headings quality, sustainable growth and accessibility. The Government is increasingly emphasising the policy effects from the perspective of the individual citizen or the entrepreneur. IT is to improve the quality of everyday life and make it easier for individuals and enterprises. IT is also an important instrument for promoting sustainable growth. Achieving these goals requires an efficient and safe IT infrastructure that is available in all parts of the country.

The number of individuals with access to the Internet at home has increased by a couple of percentage points in the past year. In the spring of 2006, 83 per cent of those aged 16 to 75 had access to the Internet at home and 56 per cent had access to broadband.

Quality, sustainable growth and accessibility

The development of eGovernment is also an important instrument for spreading IT and communications technology. A basis for the Government's strategy for the development of eGovernment is that government agencies can contribute to a common IT infrastructure and thereby to growth, which ultimately benefits individuals and enterprises. By increasing the supply of electronic services for businesses, the public sector can also contribute to more efficient enterprises.

The Government will therefore produce an action plan for developing eGovernment in 2007–2008. The action plan will serve as an instrument for coordinating national public administration with the help of IT. The Government intends to use the plan for improving the coordination of IT use in society and of state IT investment. Government agencies will play an increasing role in facilitating the distribution and use of IT in electronic communication. Central Government coordination will be extended to include cooperation with regional and local government.

The IT Standards Inquiry (SOU2007:47) which was announced earlier, will present a number of proposals in this area. These proposals are also part of the work to use electronic communication to make the public sector more efficient.

The Government decided to introduce electronic billing in the central government sector in December 2006. The regional and local governments are expected to follow suit. Thus, an important step has been taken towards integrating electronic communication into society.

In March 2007, the National Land Survey of Sweden presented a proposal for a national strategic plan for the supply of information in the area of geographic data. The strategy will support higher growth, contribute to more efficient public administration and make the citizens' contacts with public authorities easier. The findings are under consideration by the Government.

The spread and greater use of information and communications technology presupposes that users have confidence in these technologies. In its work, the National Post and Telecom Agency (PTS) gives high priority to preventive

measures in order to increase IT security for users and suppliers of electronic communications. In recent years, PTS has built a management system for information security based on international standards, involving inter alia Sveriges IT-incidentcentrum (Sitic). It has been proposed that Sitic be given more resources in 2008 to extend its surveillance to 24 hours a day, seven days a week. Sitic will increase its work to improve citizens' knowledge and security awareness with respect to threats to the security of electronic communication among enterprises and organisations.

A stable and well-functioning IT infrastructure is important to companies. Technical interoperability and security in electronic communications is necessary to enable companies to communicate with the public sector. The Government's work to reduce the regulatory burden on enterprises (see Guideline 14) can partly be realised through electronic services and electronic communication. Furthermore, technology creates possibilities for new forms of public procurement, for example through reverse auctions. In both the instances, technology contributes to higher productivity and more competition among companies.

Current broadband support will be discontinued at the end of 2007. It is the Government's view that broadband support has contributed to the expansion of broadband in sparsely populated parts of Sweden. In order to be able to take a new decision on future state support for the expansion of IT infrastructure with high transmission capacity in small communities and rural parts of Sweden, the Government has appointed a committee of inquiry, which will also evaluate the current broadband support. The committee of inquiry will report its findings on 18 April 2008.

In the 2008 Budget Bill, the Government proposed support for colocation and canalisation with other infrastructure (such as networks for electricity or district heating) in order to promote increased accessibility and robustness in the broadband networks.

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

A competitive business sector

Industry in Sweden is internationally competitive with a large export share. Sweden's Reform Programme for Growth and Jobs 2006–2008, presents the Government's policy for meeting increasingly stiff competition. The Government's goal is to help improve skills and competence so that growth, innovation, and business development are stimulated in the business sector.

In this year's Budget Bill it was also announced that a green business policy will be developed and support provided to a green business sector. The measures proposed in such areas as the "climate billion" are reported in Guideline 11.

In 2006 the Government introduced a number of special measures to strengthen the Swedish business sector's competitiveness in manufacturing industry. Most of the measures address areas of importance to the industry of a general nature, in particular in R&D. The measures are developed in close cooperation with industry and one aim is to increase the participation of industry in the EU Framework Programme for Research. The Government plans to identify measures in the environmental sector (reported under Guideline II) that may need to be taken in order to strengthen competitiveness. Furthermore the Government will initiate a dialog with representatives from the tourist sector. The tourist sector is a business sector with a large potential and of high importance for Sweden.

Regional competitiveness

Strengthening local and regional competitiveness and creating better conditions for entrepreneurship, innovation and investment enhance the growth potential of all parts of Sweden. Competitive regions, including cities, are a prerequisite for a competitive Sweden. In December 2006, the Government decided a national strategic reference framework for Sweden – Sweden's national strategy for regional competitiveness, entrepreneurship and employment 2007–2013. The strategy is the basis for the implementation of the Cohesion Policy in Sweden and identifies four priorities to guide the regional development work: Innovation and renewal, Competence and increased labour supply, Accessibility and Strategic transboundary cooperation

Eight regional Structural Funds Programmes for regional competitiveness and employment and a national Structural Funds Programme for regional competitiveness and employment are involved in implementing cohesion policy in Sweden. To this end, Sweden has received about SEK 16 billion in current prices from the EC's two Structural Funds: the European Regional Development Fund and the European Social Fund. During the period, the Structural Funds Programme has a total of about SEK 34 billion, including national public and private co-financing. In August 2007 the European Commission decided to approve the regional Structural Funds Programmes, initiating the implementation of the Cohesion Policy in Sweden 2007–2013. In the regional programmes' aims and contents, measures have focused on the overall priorities: innovative environments, entrepreneurship and accessibility.

In the national strategic reference framework, Sweden has pledged to use at least 75 per cent of the funding for the Structural Fund on measures that contribute to meeting the Lisbon targets. The indicative distribution of funds in the Structural Programmes 2007–2013 shows that programmes on average will allocate 78.9 per cent (70–85 per cent), of the funding from the European Regional Development Fund and 96 per cent of the funding from the European Social Fund on measures contributing to meeting the Lisbon targets.

Industry's Offer to Sweden

The social partners' contribution

The Industry Committee is a unique cooperative effort by 17 trade unions and employers' organisations in industry. In autumn 2004 the Industry Committee drew up a joint action programme on research and education issues entitled "Research for Competitiveness. – Industry's Offer to Sweden". The starting point was enhancing industry's competitiveness. This requires a vigorous programme to create excellent research environments and foster research closely associated with companies, close cooperation between industry, academic institutions and other training and research institutes, and a skilled and competent work force. Thus began an ongoing dialogue expanding cooperation between industry and the social partners with the Government on matters of great importance for Swedish industry's competitiveness.

Six areas have been identified with a working group for each area established. Using various forms of cooperation, these working groups are implementing concrete measures. The working groups are an excellent example of the cooperation shown in Sweden between representatives from both employers' associations and trade unions.

Recommendations in line with work being done by the Industry Committee have been implemented in a number of areas. Industrial research institutes have put together a four-part structure with improved core financing. The Government and business are spending almost SEK 3 million on strategic research programmes. The Agency for Innovation Systems (Vinnova) has drawn up a programme to support research and development in SMEs in cooperation with people working in research. Processes for more focus, coordination and division of labour among academic institutions have begun. Technical colleges have been a recognised concept for providing training relevant to industry involving close cooperation between companies, schools and municipalities. Over 100 municipalities are actively working to introduce technical colleges.

In 2007 the work has focused on the following issues in each of the six areas:

Competitive industrial research institutes

- Raise core financing issues – the 25 per cent level is an important target
- Establish a clear structure with a long-term commitment from the central government
- Create a clearer division of roles between the institutes and higher education

More exchange/mobility between industry and academic bodies

- Use seminars to point out the mutual advantages of postgraduate studies in industry
- Provide the necessary basis and support for sitting inquiries in the area

Strategic research programmes

- Emphasise areas other than those already established
- Forge long-term links to the European Research Area (ERA) – on the European level
- Create the prerequisite basis for long-term financing

Support for innovation in SMEs

- Create more effective support functions by expanding cooperation between institutes and regional development centres
- Conditions for seed financing at an earlier stage
- Access to academic research and development workers

A new structure for training engineers

- Use seminars to point out problems with the fragmentation that now exists
- Discussion with the Inquiry into the distribution of resources.

Better vocational training

- Take concrete steps in pushing for the establishment of a number of technical colleges – a new form of training for upper secondary education with a vocational direction. Currently six regional colleges with some thirty school units have been created. Another four colleges will have been established by the end of the year

There was also a recommendation for a regular dialogue between the Industry Committee and the Government's representatives, who were mostly from the Ministry of Industry, Employment and Communications and the Ministry of Education.

The work has been reported at three major conferences, "Industry Day" in 2004, 2005 and 2006 with the participation from the Government (the Prime Minister or Deputy Prime Minister). In addition there has been quarterly fine-tuning with state secretaries from the Ministry of Enterprise, Energy and Communications and the Ministry of Education and Research.

In addition to these points, the Offer work in recent years has come to emphasise ever more explicitly Sweden's cooperation in research within the framework of EU efforts in this area.

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

In the Swedish Reform Programme for Growth and Jobs 2006–2008, the Government presented a broad spectrum of measures for more sustainable development. More steps are being taken and new initiatives launched to reinforce this policy direction.

The Government has appointed a Climate Committee (ToR. 2007:59) to overhaul Swedish climate policy and thus provide the basis for a climate bill in 2008. One of its tasks is to formulate objectives and propose measures for Swedish climate policy.

The Government will spend a further SEK 1 billion on climate measures between 2008 and 2010. The measures to be implemented concern the environment, forestry, agriculture and energy. The measures to be taken will include climate research (SEK 30 million), energy efficiency (SEK 310 million), support for second generation biofuels (SEK 120 million), cooperation in international research (SEK 30 million), a national network for wind power production (SEK 40 million), a sustainable harvest of biomass in agriculture and forestry (SEK 40 million), climate investments in other countries (SEK 90 million) and a programme for sustainable cities (SEK 340 million). In the climate bill planned for 2008, the long-term direction of all measures and policy instruments important for climate policy will be reviewed together.

The Government appointed an advisory Commission for Sustainable Development in March 2007. Its members come from the business community, independent organisations, research and political life. The Prime Minister heads the Commission and the Minister of Finance and the Minister for the Environment are members.

The Commission will take an action-oriented and multi-sector approach in its work on topics that are crucial for creating the conditions for ecologically, socially and economically sustainable development from both a national and international perspective. The Commission will review how streamlining and modernising organisation, rules and regulations, and policy instruments can help the work for sustainable development and environmentally driven growth. Climate issues will be a principle concern during the Commission's first year.

Sustainable energy

The goal of Swedish energy policy is to secure access to electricity and other energy in the short and the long term on internationally competitive terms. Energy policy is to create the conditions for the efficient and sustainable use of energy and a cost-effective Swedish energy supply with low negative impact on health, the environment and climate and to make the changeover to an ecologically sustainable society easier.

A review of the electricity market conducted by the Competition Authority showed that from the point of view of competition, there were still risks from the structural bonds that exist between competing electricity producers. In March 2007 the Government therefore asked the Energy Markets Inspectorate to analyse the issue of the separation of the production and distribution of electricity. It is to report its findings on 1 December 2007.

Renewable energy sources

The goals for renewable energy were reported in the National Reform Programme for 2006 to 2008. In order to support the work to create the planning conditions for an annual production capacity from wind energy of 10 TWh until 2015, the Government has introduced a special support for wind energy of SEK 30 million a year for 2007 and 2008.

In 2008 the Government also intends to establish a national network for wind power production with SEK 20 million a year in financial support in 2008 and 2009 aimed at advancing information and developing skills and making it easier to coordinate efforts. A key task is to take advantage of existing and forthcoming regional initiatives of national importance. In addition, the Government has proposed investment support of SEK 70 million a year for market introduction of wind energy for 2008 to 2010.

The Government has proposed strengthening and extending support for solar heating in housing and related premises. The 2008 Budget Bill (Govt. Bill 2007/08:1) proposes SEK 27 million for 2008. The allocation for 2009 and 2010 is expected to be SEK 24 million a year.

Increased energy efficiency

Measures to promote efficient energy use are included in the Government's measures for reducing climate impact. An inquiry (ToR. 2006:89) is currently drawing up a national action plan for energy efficiency in accordance with the European Parliament and Commission's directive 2006/32/EC on energy end-use efficiency and energy services. Proposals for the plan will be presented no later than 31 October 2007. Furthermore the Government is of the opinion that a target should be set up to achieve at least 9 per cent energy savings by 2016 compared with annual average energy use from 2001 to 2005.

Introduced on 1 July 2004, the voluntary Programme for Improving Energy Efficiency in Energy-Intensive Industries (PFE) has yielded important results. About 100 energy-intensive companies that together use 31.5 TWh electricity a year participate in the programme. This corresponds to more than a fifth of total energy usage in Sweden and more than half the energy used by industry. Thus far under the programme, industry has undertaken to invest in over 900 energy efficiency measures equivalent to more than SEK 1 billion.

The energy policy programme, which runs from 2002 to 2007, is being extended. The Government will allocate SEK 140 million a year for 2008 through 2010 for regional and local measures for more efficient energy use. Included are municipal energy and climate advice to consumers and business owners. In addition a further SEK 310 million will be spent on measures for sustainable energy use between 2008 and 2010. These measures include the procurement of technology for developing and introducing new energy effective technology in

the market and supplementary support for the market introduction of energy effective technology and the “Sustainable Municipality” programme, which promotes the adoption of new forms of energy in society. It is primarily directed at municipalities and SMEs.

Additional measures for reducing energy use in the construction and real estate sector were taken in autumn 2006 and spring 2007 as part of the National Programme for Energy Efficiency and Energy-Smart Construction, which were presented in Sweden’s Reform Programme 2006–2008. It involves changing energy technology requirements for buildings to limit the use of electricity for heating. Also under the programme, the Swedish Energy Agency and others have been asked to propose suitable instruments for the public procurement of energy-related products based on the product’s environmental performance.

Sustainable transport

The sale of green cars as a percentage of new car sales has risen sharply in the past few years (“green car” in this context refers to fuel-efficient cars with carbon dioxide emissions of no more than 120 grams per kilometre and cars that can operate on alternative fuels). The percentage sold rose from 5 per cent in 2005 to 13 per cent in 2006. The percentage of green car sales has continued to rise in 2007. According to preliminary figures, green cars had a market share of 19.5 per cent in July 2007.

In spring 2007 the Government introduced the premium announced earlier to encourage private persons to switch to green cars in order to provide an incentive to fuel-efficient cars and vehicles with environmentally sound fuel. Cars covered by the premium are conventional fuel-efficient cars, cars using alternative fuels and electric cars with a certain efficiency. A private individual buying a new green car from 1 April 2007 through 31 December 2009 will receive a premium of SEK 10 000 (equivalent to about € 940). The Government has set aside a total of SEK 250 million for the green car premium.

Larger petrol stations will gradually be obligated to offer for sale at least one renewable vehicle fuel under a law that came into effect on 1 April 2006. The goal is to have about 60 per cent of all petrol stations selling a renewable fuel by 2010. At the end of 2006 the percentage was over 20 per cent.

Vehicles purchased by public procurement will, as a rule, be green cars. Beginning in 2007 at least 85 per cent of the cars purchased or leased by government agencies must be green cars. At least 25 per cent of emergency vehicles purchased by government agencies in 2007 must be green cars.

Environmental technology

The Swedish environmental technology sector has a high percentage of small companies with a total turnover of over SEK 100 billion a year and exports of SEK 24 billion. It employs over 50 000 people.

In the 2007 Spring Fiscal Policy Bill, the Government presented a multiyear programme to develop Swedish environmental technology. For 2007 SEK 80 million has been set aside and SEK 150 million a year for 2008 to 2009. Initially the main focus of the measures is environmentally oriented research, development and demonstration principally for vehicles, but also including civil aircraft. So far a total of SEK 245 million of these funds has been earmarked for research on environmentally friendly vehicles. Of this, SEK 125 million is for a joint project with the United States. In recent years the Government has strengthened its international cooperation in energy technology. The focus has been both on countering climate change and strengthening Swedish companies' international competitiveness.

Through programmes directed principally at SMEs, the Swedish Trade Council has helped spread Swedish environmental expertise and environmental technology. Thus Swedish companies have more possibilities to be internationally active.

Effective policy instruments

The Government is continuing its work to develop market-based policy instruments for the environment. One fundamental requirement is to design an economically efficient environmental and energy policy, that is, a policy that achieves stated environmental and energy results at as low a cost to the economy as possible.

In Sweden revenue from environmentally related taxes and fees currently amounts to about SEK 81 billion a year, with SEK 79 billion, or 98 per cent, of that amount linked to energy and transport.

Government aid to climate investment, mentioned in previous action plans, is expected to cut energy use by more than one TWh a year. Biogas and district heating will get the biggest share of the funding. One quarter of this funding will go to the business sector. It is estimated that the measures will reduce the emission of carbon dioxide by 0.9 million tons a year. The cost per kilo declines every year and has been halved since 2003.

In March 2007 the Government decided an action plan to increase environmental requirements for public procurement. The aim is to reinforce public procurement as a powerful instrument in the work steering society toward sustainable consumption and thus production. In the 2007 Budget Bill, the Government increased the resources to support the inclusion of environmental requirements in public procurement. Resources for the Swedish Environmental Management Council limited liability company owned by the State, the Swedish Association of Local Authorities and Regions, and the Confederation of Swedish Enterprise will increase with about SEK 10 million in 2007 and 6 million in 2008 and 2009.

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

On 9 November 2006, the Government decided to abolish the municipalities' monopoly on handling hazardous waste not coming from households. Ending the municipalities' monopoly enables the establishment of uniform rules and regulations covering the entire country in order to increase competition. The regulatory regime makes it easier for market players to devise effective and environmentally friendly solutions to handle waste.

On 1 June 2007 the Government increased compensation for car owners for scrapping 1989 or older model cars still in circulation. Compensation of SEK 4 000 is temporary and will be payable as long as there is sufficient money in the scrap fund. The compensation is a stimulus to encourage car owners to replace their old cars with ones that have a less negative impact on the environment and is a way of modernising the ageing stock of cars in Sweden.

Environmental development assistance

The Government announced in 2006 a special environmental effort as part of development aid. One of the aspects that form the basis for the choice of measures in this initiative is growth. In 2007 the Swedish International Development Cooperation Agency (Sida) received an increased allocation of SEK 100 million for the environment and energy area. The new initiative focuses on sustainable energy and environmental technology in order to achieve both climate and development goals. It is designed to make it possible for Swedish players to participate. The aspiration is to take a new approach with innovative solutions in the climate area.

3.5 Guideline 12 – Expanding and deepening the internal market

The internal market makes a crucially important contribution to employment and growth in Sweden and other EU countries. It is the EU's principal access to the global economy and competition. The Government has therefore made the correct implementation and application of EC law, good legislation and effective administrative cooperation a priority in order to bring about a well-functioning internal market for the benefit of business and consumers.

In July 2007 Sweden had an implementation deficit of 1.4 per cent for implementing directives and thus it continues to meet the EU's joint objective.

With the aim of improving the application of Community law, the Government established a new Public Authority Ordinance in June 2007 in which the obligation to respect Sweden's commitments in the EU have been given a central place. The Ordinance was preceded by a comprehensive study of how the central government and municipal administrations apply and comply with the EC Treaty' rules on the free movement of workers (Swedish Agency for Public Management Report: 2006:16). In addition a new ordinance on impact

assessment in the event of regulatory change is being prepared.

An effective implementation of the EU's services directive is of key importance to promote higher growth and employment and make Sweden and the EU more competitive. The Government's ambition is to implement the directive on time, effectively and in a manner guaranteeing ease of application at the local, regional and central level. To ensure this, a special secretariat has been established in the Government Offices. Its task is coordinating and assisting the ministries in the implementation. Within the framework of this process, there will be a general overview of legislation, including obstacles to establishment, service delivery and authorisation systems. In addition contact points will be specified and a functional administrative cooperation created.

The inquiry on the Swedish open system for testing and control – the conduct of prescribed testing and control by accredited private bodies in competition – presented its report in December 2006 (SOU 2006:113). According to the Inquiry, the system introduced at the time Sweden joined the EU is working well. It has proposed that use of the system be expanded. The Government intends to act on the Inquiry's proposals, among them, those made in connection with the adaptation of the legislation that may be required by the coming EC regulation on accreditation and market surveillance.

In answer to a request from the Riksdag, the Government intends to present a Ministry Communication on standardisation. The Communication will deal with standardisation from a public authority's perspective. It will also take up particular questions associated with standardisation, for example, innovation and standardisation.

Utredningen om IT-standardiseringen i den offentliga förvaltningen (the Inquiry on IT standardisation in Public Administration) (see Guideline 9) has also proposed better coordination before consideration of such matters as the standardisation mandate in the 98/34 Committee (SOU 2007:47 The invisible infrastructure – on better coordination of public IT standardisation).

Both direct and indirect trade barriers are still a serious problem for the internal market. The Government has therefore taken measures in the foreign service to improve handling and reporting trade barriers. A special handbook has been produced and a "Trade Barriers Hotline" has been established on the Ministry of Foreign Affairs web site where individuals and business can report barriers to trade. Another aim is to ensure that information is made available for further strategic and policy consideration.

3.6 Guideline 13 – Ensuring open and competitive markets in Europe and elsewhere

One important basis of the Government's policy at both the national and international level is to remove barriers to market entry and to ensure competition

on equal terms. Competition policy must contribute to efficient, open and well-functioning markets that stimulate and open the way to new ideas, companies and products. Consumers benefit from a well-functioning competition as it leads both to better prices and higher quality as well as to new goods and services.

The Government is taking a broad approach, with measures aimed at strengthening competition in various markets and opening markets for more players. The basis for sound competition is a restrictive approach to the use of public support of business, clear laws and efficient public authorities with the necessary resources. The Government's starting point is that companies should be able to operate in markets in accordance with the principle of competition on fair and equal terms. More small companies must also be given the chance to participate in public procurement. In that connection there should be an effective competition authority responsible for supervising public procurement so that the conditions for well-functioning procurement markets are created. For the application of procurement rules to be effective, there need to be legal remedies that work.

Safeguarding and advancing the work on opening markets both in the EU and elsewhere is a fundamental part of Sweden's trade policy. Sweden has actively pursued this policy in the WTO, negotiations on free trade and in the work on the market entry strategy. In October 2006 the European Commission presented its strategy for the external dimensions of the Lisbon process in its Communication, Global Europe. Having long argued for the importance of external trade to EU growth and employment, Sweden welcomed the Communication and the initiatives it contained. Sweden will continue to conduct a free trade policy in the implementation of these initiatives that cover free trade agreements, increased market entry in third countries, copyright protection, public procurement, a special strategy for China, etc.

More competition with more players and greater freedom of choice

Promoting market entry for more players and for players with more varied business aims increases both competition and the possibilities for the individual to have his or her needs and wishes satisfied. This helps not only increase entrepreneurship, but also makes use of workers' commitment, creativity and new ideas.

As announced in Sweden's Reform Programme for Growth and Jobs 2006 to 2008, the Government intends to increase the scope for individual initiative and private enterprise in the welfare sector. At the Government's request, the Competition Authority has investigated what regulatory regimes are of particular relevance for enterprise in the public sector with a special focus on health care. In a report submitted to the Government on 27 June 2007, the Competition Authority has proposed the introduction of a national law on a free-choice model in primary care and home help in elderly care, except for

night and emergency services. Furthermore, the Competition Authority has proposed making the consumers' choice easier by a request by the Government to the National Board of Health and Welfare to openly report quality indicators at the care givers' level to the public. The Authority has also proposed that public procurement be improved and made more efficient by making sanctions stiffer in cases of non-compliance with the procurement rules and by reviewing the court structure in the procurement area.

To support various modes of operation in health care, the previous decision restricting county councils' ability to transfer the operation of regional hospitals, clinics and other hospitals to another operator was repealed on 1 July 2007. It is the Government's view that giving the elderly and disabled more freedom of choice and a say in their care is an important step for better and more effective care. In March 2007 the Government appointed an inquiry (ToR. 2007:38) to study free choice in care for the elderly and disabled. The inquiry will submit proposals on the design of a system to increase elderly and disabled people's freedom of choice and self-determination in health care, social services and support as well as service under the Social Services Act. The final report will be submitted by 1 January 2008.

There is a need for clearer limits on the responsibilities of the public authorities and on what should be left to political and public opinion building or the market economy. The individual consumer and business owner must be able to have confidence in strong organisations that monitor markets opened for competition and markets for important infrastructure. The Government has therefore appointed an inquiry with the aim of making public administration more effective (ToR. 2006:123). The Government has also appointed an Inquiry Chair to review the Government's special support agencies (ToR. 2007:20). Included in the remit is an examination of the role of the public sector and a review of public authorities' activities that are exposed to competition. The Government also intends to take measures on conflict resolution in public sector commercial activities in the market. The aim is to create a system to solve competition conflicts between public and private commercial activities when they arise. The Government intends to present a bill to this end in 2008. The Government also intends to appoint an inquiry to review certain other issues concerning competition on equal terms between the public and the private sector.

Competition legislation and its application

One way that the Government will implement its competition policy is by ensuring that competition rules are appropriate and that the Competition Authority, which is responsible for the application of the regulatory framework, is effective.

The inquiry charged with reviewing how procedures under the Competition Act can be made more effective and proposing rules concerning market damage

finances submitted its final report A New Competition Act to the Government at the end of November 2006 (SOU 2006:99). The report, which included a proposal on harmonising Swedish market concentration testing with EC law and clearer rules for determining the size of market damage fines, has been circulated for comments together with a proposal from the Competition Authority on changing the threshold for national concentration testing. In spring 2008 the Government intends to present a bill on a more effective Competition Act.

In 2006 the Competition Authority made 377 decisions under the Competition Act and Articles 81 and 82 of the EC Treaty. The Authority has received 782 tip-offs and complaints. Five cases have been closed when the competition problems were cleared up while the cases were under way. The Competition Authority has made 107 decisions on business concentration, one of which was made after a special inquiry was conducted. One case has been referred to the European Commission. The Competition Authority has also initiated a number of reviews and preliminary studies of competition problems. One example is the review of the electricity market, which began in June 2006 and was submitted to the Government in May 2007. The Authority has also taken a number of cases to court. In July 2007 the Stockholm City Court issued its verdict in Sweden's biggest competition case to date, the asphalt case, in which all the companies involved were convicted of collusion in a cartel. In 2006 the Stockholm City Court decided three other competition cases. After the Competition Authority had analysed the judgments, two of these cases were appealed to the Market Court. The Authority has also contributed to making competition in the private and the public sector more effective by presenting a number of proposals for regulatory reform and other measures to improve competition.

Public procurement

More small companies must also be given the chance to participate in public procurement in order to make use of the business opportunities that public procurement entails. This requires competence and knowledge in these companies about public procurement and the regulatory framework around it. This is important from a competition perspective as a greater number of participants helps increase efficiency and reduce costs. It is also important to adjust the procedures and requirements associated with public procurement as much as possible to the SMEs' conditions.

The Government submitted a bill to the Riksdag on 1 June 2007 on implementation of the EU directive on public procurement and procurement in the water, energy, transport and postal services sectors. It is proposed that the new legislation come into effect on 1 January 2008.

In its report, New Procurement Rules (SOU 2006:28), the Procurement Inquiry presents the general review it conducted of the rules not governed by EC directives, that is, rules that affect procurement under threshold values and pro-

curement of Category B services, such as health care and hospital services. The Government Offices are now working on a bill expected to be ready in 2008.

The National Board for Public Procurement was made part of the Competition Authority on 1 September 2007 as a step towards improving oversight and information activities in public procurement. Increasing the opportunities for SMEs to participate in public procurement is a priority for the Competition Authority. In the 2008 Budget Bill, the Government has earmarked SEK 5 million annually beginning in 2008 for the Competition Authority for measures to make the public procurement process more efficient and make it easier for SMEs to participate.

For the application of procurement rules to be fair, there need to be legal remedies that work. In autumn 2007, the EU Council of Ministers will definitively adopt a revised directive on legal remedies. The Government Offices have begun work on transposing the changes required by the directives into legislation. In this connection a review of the national regulations on supervision is also being carried out (see also Guideline 11 on green public procurement).

Benchmarking in the public sector

The municipal data base was made permanent as of 2006. It is administered by the Council for Local Government Analysis (RKA), a non-profit organisation with the central government and the Swedish Association of Local Authorities and Regions as members (SKL). In September 2006 the Government reached an agreement with SKL to carry out a benchmarking project covering municipalities and county councils from 2007 through 2009. The main goal of the project is to support the municipalities and county councils' work to increase the efficiency and quality of their activities. The project takes the form of local networks at the municipal leadership level where each network includes six to ten municipalities. The network consists of leading politicians, the chief administrative official, and the project leader appointed from each municipality. The work of the local networks is supported by SKL, using a process leader who organises the network's work and helps with competence and advice in the practical work in the individual municipalities.

To provide support to the municipalities, SKL in cooperation with RKA has produced a set of activity measures (resources, scope and quality) that experience has shown function well in various municipality activity areas. The intention is to measure each activity area examined after about 18 months to see what improvements there have been. The goal is for at least 200 municipalities and all the county councils to participate in the project. Thus far (June 2007) more than 170 municipalities participate in the project. The project has not yet got under way at the county council level. The central government has contributed to its financing with SEK 12 million for 2007 through 2009.

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

Simpler and more profitable to run a business

For Sweden to become one of the best countries in the world for starting and running a business, regulatory simplification is a key factor. It is one of the instruments for achieving the Government's overall goal of more jobs in more growing enterprises. Through regulatory simplification, the Government intends to create good framework conditions for business. The goal of the Government's regulatory simplification work is to reduce administrative costs to business caused by state regulations, i.e. laws, ordinances and regulations, by at least 25 per cent by autumn 2010. This simplification will also result in a tangible change in their daily workload. The work on regulatory simplification must be intensified in order to achieve the Government's goal on reducing the administrative costs for businesses.

On 5 June 2007, "The Government's Action Plan for Regulatory Simplification – A Report on the First Step" was launched. The Action Plan contains 167 proposals for regulatory simplification. All the ministries and 53 government agencies have contributed measures to the Reform Programme. In a second step, which is to be reported early in 2008, each ministry within the Government Offices will report how much the administrative cost can be reduced before the end of 2008 and 2009, respectively. In those areas where the Swedish Agency for Economic and Regional Growth (Nutek) measured the administrative costs to business at the beginning of the mandate period, the main principle is that the administrative costs are to be decreased by 10 per cent by the end of 2008 and another 10 per cent by the end of 2009.

On 3 April 2007 the Government decided to appoint a group of state secretaries with special responsibility for strengthening coordination of the work on regulatory simplification in the Government Offices. The group includes state secretaries from the Prime Minister's Office and the Ministries of Justice, Health and Social Affairs, Environment, Employment, Integration and Gender Equality, and the Ministry of Enterprise, Energy and Communications. The group is chaired by the state secretary of the Ministry for Enterprise, Energy and Communications with responsibility for regulatory simplification.

It is the Government's intention to redouble the effort on impact assessment. A new regulatory framework on the impact assessment of new rules at issuance is under preparation in the Government Offices.

The Government intends to establish a regulatory council shortly with i.e. the task of ensuring the quality of impact assessments. Work on finalising how such a council is to be organised is at present under way in the Government Offices. The council will work for a limited period of time to accelerate regulatory simplification.

Additional simplification of the accounting rules

An Inquiry, which starts work in autumn 2007, will consider whether Sweden should make use of the possibilities of reductions and exemptions for SMEs allowed by the EC Accounting Directives (ToR. 2007:78) Also other simplifications will be considered, for example if certain additional information in the annual report can be abolished or limited.

In an interim report no later than 30 June 2008, the Inquiry Chair is to report on its findings on the implementation of the EC Accounting Directives, additional information etc. The rest of the assignment- such as how the rules on accountancy fraud in relation to delayed preparation on the Annual Accounts are to be implemented – is to be reported no later than 1 June 2009.

A simpler limited liability company

An inquiry has been appointed (ToR 2007-132) for a simpler limited liability company. According to its terms of reference, the Inquiry is to consider simplifications such as a lower capital requirement, simplifications especially aimed at SMEs and the need for a new legal form of enterprise. The Inquiry Chair is to submit an interim report no later than 31 March 2008 on its findings with respect to the lowest share capital requirement for private limited liability companies. The inquiry is to report its findings on other issues no later than 31 March 2009.

A new Trademarks Act

The current Trademarks Act has to be modernised. The Government is therefore working on a proposal for a new act. One of the aims of the new act is to bring about an effective and well-functioning system for the registration of trade marks. In addition the possibility of applying to the Swedish Patent and Registration Office for the annulment of earlier registrations will be introduced. At present this can only be done by bringing an action in court. The proposal is expected to be submitted to the Riksdag in spring 2008.

3.8 Guideline 15 – Promoting a more business friendly culture and creating a good climate for SMEs

Strengthening Sweden's competitiveness and creating the necessary conditions for more jobs in more growing enterprises requires that more people are willing to start enterprises and that more enterprises are willing to grow. It therefore has to become simpler and more attractive to start and run businesses. In 2006 there were 44 386 new businesses started in Sweden, a small increase compared with 2005. The creation of new businesses in Sweden is low by international standards.

Increasing access to finance

The Government has taken a number of measures to improve access to financing, especially for small enterprises. The changes with respect to priority rights announced by the Government in Sweden's Reform Programme 2006 to 2008 are an example of a measure that will improve access to financing. The Government has also changed the mini loan, which is aimed primarily at new and small enterprises. The demand for this type of loan has turned out to be very large, especially among women and new entrepreneurs. The borrowers have, however, asked for somewhat larger loans. The Government therefore increased the ceiling for the mini loan from SEK 50 000 to SEK 100 000 in February 2007.

A number of authorities and players have the task of promoting innovation in small enterprises. The central government offers financing for product development and innovations through a number of organisations and through various grants and loans. The main players in this area are the state development company ALMI, Innovationsbron AB (a national umbrella group that brings together in a single organisation several of the public providers of venture capital), the Agency for Innovations Systems (Vinnova) and the Swedish Agency for Economic and Regional Growth (Nutek).

It is important that state measures are designed in a way that stimulates capital formation within companies and promotes the participation of private players to the greatest extent possible. In order to stimulate access to private finance, the Government decided to abolish the wealth tax as of 1 January 2007. This is one step in enabling companies to build equity. More equity makes it easier to get access to external financing. The Government intends to appoint an inquiry with the task of reviewing state measures on financing.

The state development company, ALMI, offers a grant of a maximum of SEK 15 000 for financing feasibility studies such as a technical feasibility study, a patent search and/or a review of the risk of patent infringement. ALMI also offers companies an Innovation Loan of at least SEK 50 000. In 2007 there is a special programme for women innovators. Innovators supported by ALMI in 2002 increased their turnover by 72 per cent or SEK 176 million and the number of employees by 33 per cent or 112 persons in the period 2001 to 2006.

The state development company, ALMI, The Export Credits Guarantee Board (EKN), the Swedish Export Credit Corporation (EKN), the Swedish Trade Council and Swedfund introduced an export loan in 2007. The aim of the loan is to help SMEs selling abroad. SEK 0.5 billion has been set aside for this purpose. The loans are intermediated by ALMI.

A tax system promoting entrepreneurship

The tax system is of great importance to entrepreneurship. In the Reform Programme for 2006 to 2008, the Government has proposed a number of measures to improve Sweden's business climate and make it more worthwhile to take on

more employees (see Guidelines 1-3). The introduction of new start jobs from 1 January 2007 and the in-work tax credit for business income earners are among these measures. New start jobs give employers the opportunity to find competent labour quickly and at the same time avoid a cost equal to the employer's contribution. The in-work tax credit is being introduced in order to make it more worthwhile to work and run a business (see Guidelines 1-3 and 19). This policy orientation will be further reinforced by measures announced earlier and by new initiatives.

As of 1 July 2007 a buyer of household-related services will be able to get a tax reduction equal to half the labour cost. The aim of the proposals is to create new jobs in the household-related sector. The tax reduction is expected to result in an increased demand for household-related services and consequently stimulate new and growing enterprises (see Guidelines 1-3). A proposal to introduce a corresponding tax reduction for household-related services that are provided as a salary benefit will be presented during the autumn of 2007.

In order to increase employment, improve economic efficiency and reduce undeclared labour in the Swedish economy in a durable way, the Government will present a bill in autumn 2007 to abolish social security contributions for certain parts of the service sector. The service industries covered by the proposal include car and recreational craft repairs, restaurants, taxis, skin and hair care, and dry cleaning and laundry establishments (see also Guidelines 1-3).

A number of simplifications have been made in the "3:12" rules, which regulate the possibilities of profit distribution and selling of shares in close companies led by the owners. As of 1 January 2007 the standard amount in the simplification rule has been increased to two income base amounts (one base amount is SEK 45 900 for 2007). That lowers the tax and makes it easier for companies with few employees. Small entrepreneurs are also affected by the more favourable rules which have been introduced for payroll expenses. The rules on payroll expenses have an impact on how much of the profit a company can distribute at a low tax rate. In addition, the possibilities of using payroll expenses when calculating the income, that is, the payroll-based margin, has been increased from 20 to 25 per cent. These changes have created incentives to take on more people.

In order to improve liquidity and simplify the calculation of VAT, small companies with a turnover not exceeding SEK 40 million will be able to report VAT every three months instead of every month. This change will take effect on 1 January 2008.

The Government has also proposed changing the rules for sales of qualified shares in close companies as of 1 January 2008. According to the proposal, entrepreneurs would get a tax reduction when selling their shares in close companies. The proposal has been circulated for comment and is now under preparation in the Government Offices.

Promoting SMEs

The Government has taken a number of measures aimed at promoting SMEs and strengthening their capacity for innovation and competitiveness. An important part of this work is to make it easier to run a business. The Government's ambition to reduce the administrative cost by 25 per cent by 2010 is still a high priority (see Guideline 14).

An employer's obligation to report vacancies to public employment offices was done away with as of 2 July 2007. This change means that an employer only has to report to the Tax Authority when hiring and it has only to be done at the first employment. Thus in accordance with the conclusions of the European Council in March 2006, the objective that enterprises should only have to report to one authority when taking on employees, has been achieved.

In order to make it easier for small entrepreneurs to take on employees, the Government abolished the employers' co-financing of sickness benefit costs. The co-financing meant that employers had to finance 15 per cent of sickness benefit costs for employees on full-time sick leave. It is the Government's view that the co-financing put employees with reduced working capacity at disadvantage on the labour market. The law on co-financing was thus abolished as of 1 January 2007.

The Government recently asked an Inquiry Chair (ToR 2007:116) to review the rules for starting a business with the aim of making it easier to start and run a business and make it easier to get "F tax" (business tax status). The Inquiry Chair is to report no later than 1 June 2008 and it should be possible to introduce new rules by the end of 2008.

Beginning in 2008, the Government will set aside SEK 5 million annually in order to make it easier for SMEs to participate in public procurement (see Guideline 13). One measure is for the Internet service of the Swedish Agency for Economic and Regional Growth (Nutek), "The Entrepreneurs' Guide" to provide information and guidance about procurement procedures and opportunities for submitting bids. SMEs' opportunities to participate in public procurement are very important if it is to be possible for them to run and expand businesses in areas such as education and health care.

The Government has decided to develop a strategy for promoting entrepreneurship throughout the education system. The strategy will be presented in the autumn of 2007. Almost three out of four people aged 18–30 can envisage becoming entrepreneurs and it is important to fully exploit the potential among young women and men. Schools play an important role in changing attitudes towards entrepreneurship, which should lead to the creation of more new businesses over time (see Guidelines 23 and 24).

It is the Government's goal to increase the percentage of new businesses started by women from 35 per cent to 40 per cent by 2010. The new programme for women's entrepreneurship mentioned in the National Reform Programme for

2006 to 2008, includes a substantial increase in counselling and business development efforts. To improve women's entrepreneurial skills, the Government has also decided to produce a gender disaggregated business statistic. In addition a three year programme for research on women's entrepreneurship has been decided.

Measures will also be directed at increasing and supporting entrepreneurship among people with a foreign background. Entrepreneurship is often the only way in to the labour market for immigrants, a fact that is reflected in statistics on new entrepreneurs. Companies operated by immigrants show however a slower growth compared to those operated by people with Swedish background. In the 2008 Budget, SEK 20 million a year for 2008 through 2010 has been earmarked for a programme for the establishment and growth of immigrant-run companies as well as for the fight against exclusion.

Work has been initiated in the Government offices to promote social enterprise. This work is done in cooperation between the Ministry of Enterprise, Energy and Communications, the Ministry of Health and Social Affairs and the Ministry of Employment (se guideline 19).

Local business climate

Contribution from the Confederation of Swedish Enterprise

How do companies perceive the attitudes, regulations, institutions and skills found in their local environment? What are the conditions like for entrepreneurship in Sweden's 290 municipalities? Every year, the Confederation of Swedish Enterprise, using surveys and business-related statistics, provides a description of the local business climate in Sweden.

Local factors play a bigger role than many believe. Even though all businesses in Sweden are subject to the same national rules and regulations, there are large differences between municipalities in different parts of the country as well as between neighbouring municipalities that look similar from the outside.

A good business climate is in everyone's interest. With a good local business climate, it is easier to start, run and develop successful companies. Successful companies are in turn of key importance for growth, jobs and the provision of welfare services. The business climate is therefore one of the Confederation's priorities.

The Survey

By constantly charting and following up on the local business climate in the municipalities, the Confederation wants to provide a stimulus to business sector work and publicise good examples that municipalities can use in their efforts to improve the business climate.

The Confederation made its first study of the local business climate in 1999 and its most recent study in 2006. The survey is sent annually to about 62 000 business leaders in municipalities all over Sweden. During the past four years the survey on the local business climate has also been sent to ordinary members of the country's 290 municipal assemblies, a total of 13 000 members. The expanded survey provides a picture of how politicians and businesses perceive the current local business climate.

Local Business climate rankings

The Confederation's ranking of municipalities in Sweden is based on three fundamentals:

- Six statistical factors – market supply, municipal tax, the percentage of municipal activities that are contracted out, the percentage of those with a postsecondary education, the percentage of companies, and new enterprises.
- Survey responses from over 30 000 entrepreneurs on attitudes to entrepreneurship, municipal services, procurement and infrastructure.
- The business leaders' collective assessment of the municipality's business climate (from the survey).

The fundamental "base factors" and "survey responses" include each of the six factors. The municipalities are assigned points according to how they rank relative to other municipalities on each of these factors (290 points to the best municipality, 289 points to the next best, etc.).

The third fundamental, "Business Leaders' Collective Assessment", reflects their view of the business climate. In the overall rankings, the weight given the business leaders' assessment is especially important and equalled the weight given the two other fundamentals combined. The result is a national ranking of all 290 municipalities according to their business climate.

Dialogue with the municipalities

The Confederation follows up its surveys with dialogues around the country with business groups and municipal leaders. The aim is to discuss the importance of a good business climate and the potential for entrepreneurship. The survey responses together with relevant business statistics provide a broad knowledge base and a basis for discussion.

The measurement of the business climate every year and its comparability between municipalities have increased interest in how the business climate can be developed and improved. Clear differences exist between municipalities, but thanks to the Confederation's long-term work, many municipalities have shown that it is possible to improve the business climate. They all want to work together with business to bring about change.

3.9 Guideline 16 – Expanding and linking up the European infrastructure

Access to public services and well-functioning communications in all parts of Sweden is important. With good access throughout the country, there is more freedom of choice as to where to live, work, get an education and develop an active leisure. The transport system helps strengthen entrepreneurial activity in all parts of the country. An efficient transport system makes it possible for companies to compete both in Swedish and in international markets. Given the globalisation of the business sector and the increased importance of the regional environment for companies and citizens, the various types of traffic will be planned so that they are able to complement each other and function efficiently over municipal, county and national borders.

Operation and maintenance of existing roads and railway tracks is crucial in order to maintain systems standards. In recent years problems with run-down roads and operational disturbances in train traffic have increased. The Government will therefore spend an additional SEK 815 million on operating and maintenance in 2008. To make priority road investments, the Government is spending a further SEK 385 million on the investment side.

The Government has continued to work to find new solutions for financing infrastructure. At the Government's request a number of authorities have reported on Public Private Partnerships (PPP). The reports contain proposals for a Swedish model for PPP financing and a number of road and railway projects that might possibly be financed in this way.

The Government has begun to draw up plans for road and rail investments for 2010 to 2019. A bill on the matter will be presented to the Riksdag in 2008.

A congestion tax on cars entering and leaving Stockholm was introduced on 1 August 2007. Its aim is to reduce congestion and improve the environment. The revenue will go to the road network in the Stockholm region.

4 Employment policy

The Government's policy for sustainable higher employment and a reduction in exclusion takes a broad approach and has a long-term orientation. A successful jobs policy is not a matter of isolated measures but of concurrent measures in several different areas. Reforms in the nature of education, improvements to the functioning of the tax and benefit systems, more effective labour market policies and labour legislation that satisfies employees and employers' need for security and flexibility will determine how well Sweden succeeds in meeting the challenges it faces.

Globalisation puts the Swedish economy's adaptability and flexibility to the test. In addition the ageing population shown in demographic trends will call for a high resource utilisation. Sustainability in the social security systems and unemployment insurance must be safeguarded. By putting everyone's willingness to work to good advantage, exclusion can be overcome and the welfare systems safeguarded over the long term. It must therefore pay to work. It is important in this connection to continue the efforts to strengthen gender equality and equal opportunities for all and to make it easier to combine family life with working life.

The general measures stimulate both labour supply and demand and reduce unemployment in a durable way, for example, by improving matching in the labour market. However, in addition to these overall measures, there is also a need for extra measures directed at the most exposed groups, particularly young people and the foreign born.

The transition from illness to work must increase and therefore there needs to be a sweeping change in the way in which many people with work-related problems and health problems get help to go back to work.

In the Progress report presented in December 2006 (Communication from the Commission to the Spring European Council – Implementing the renewed Lisbon Strategy for growth and jobs. (Com 2006 861 Final)), the Commission found that progress thus far in Sweden had been very good. In its summing up, the Commission states that Sweden has succeeded in increasing the labour supply and the Commission noted that Sweden had presented proposals for strengthening the incentives to work; it particularly noted proposed changes in the taxation of work and in the social insurance systems.

However, it is the Commission's view that Sweden must further strengthen its strategy in order to increase the labour supply and the number of hours worked by reforms aimed at increasing incentives to work, increasing employment among the foreign born and young people and placing those on long-term sickness absence in jobs. The Government shares the Commission's view and continues to pursue its policy in this direction. The Government has an-

nounced further tax relief on income from work and a number of measures aimed particularly at increasing the labour supply and the number of hours worked. The Government has implemented two ambitious reform packages to increase employment among the foreign born and young people. Measures for strengthening the integration of those on long-term sickness absence and people with sickness and activity compensation will include the introduction of a rehabilitation chain, with fixed points during a period of sick leave for reviewing a person's capacity to work and the clarification of benefit rules.

In conclusion, it is also important to note that the preparation of a basis for the Government's future work environment policy is in progress. In this connection it is particularly important that the positive trend to fewer accidents at work and work-related illness continue.

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

The Government continues to work towards its goal of increasing the labour supply and employment and combating exclusion. With the robust economy and improved labour market situation, employment is increasing rapidly and more unemployed people are finding jobs in the regular labour market. Notwithstanding this positive development, the pace of reform will not be allowed to slacken. Too many people of working age are not in the labour market or work less than they would like.

The policy is well in line with the overall goals of the European Employment Strategy: full employment, higher quality and productivity at work and strengthened social and territorial cohesion.

Goals of the European Employment Strategy and the outcome for Sweden

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

In 2006 9.9 per cent of adult men and 7.8 per cent of adult women had not received a new start. For young men, the proportion was 3.3 per cent and for young women 2.5 per cent.¹

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

¹ The National Labour Market Board.

In 2005 a total of 65.7 per cent of the men and 63.9 per cent of the women participated in an active measure of some kind.¹

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

All vacancies in Sweden were advertised through the EURES system in 2006.

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

The effective average exit age from the labour market was 63.7 years² in 2005, compared with 61.8 years in 2001, an increase of 1.9 years.

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

In 2005 a total of 84.5 per cent of all children aged 1 to 5 (76.6 per cent of all children from 1 to 3 and 96.9 per cent of all children between 4 and 5) were enrolled in a preschool or family day care home.³

The target of an EU average rate of early school leavers not exceeding 10 per cent.

In 2006, 10.7 per cent of young women and 13.3 per cent of young men aged 18 to 24 had completed compulsory education (ISCED level 2) or less and were no longer in education.

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

A total of 88.6 per cent of 22-year-old women and 84.5 per cent of 22-year-old men had completed upper secondary education in 2006.

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

In 2005, the proportion of men and women aged 25–64 who had participated in some form of education in the previous four weeks was 27.9 per cent and 36.5 per cent respectively.

¹ The National Labour Market Board.

² Preliminary data.

³ The Swedish National Agency for Education.

Putting Sweden to work

The Government's overall goal is to create more jobs in more companies and growing companies. Since the Government came to office in autumn 2006, it has taken a number of measures of major importance to meet this goal. General measures making it simpler and less costly to take on new employees have been carried out in order to increase the demand for labour. Labour market policy is being reformed to highlight the work-first principle. The policy has been given a sharper focus on jobs: matching jobseekers and job vacancies has become a priority as have measures for those most detached from the labour market. Unemployment insurance is being reformed to enhance its role as readjustment insurance so that it makes a greater contribution to increasing employment.

Recent labour market developments have been positive and the labour market situation has continued to improve in 2007. Unemployment has fallen sharply and employment growth has been particularly vigorous since the second half of 2006. The percentage of those aged 16 to 64 who are employed increased from 73.9 per cent in 2005 to 74.5 per cent in 2006. During the first half of 2007, 12.3 per cent of those aged 16–24 (11.8 per cent of the women and 12.7 per cent of the men) were unemployed. Employment has increased among both women and men, the foreign born and young people.

Table 4. EU employment target and outcome for Sweden, 2006

Per cent	Total	Men	Women	Older workers 55 to 64
Employment rate, 15–64 years	73.1	75.5	70.7	69.6
EU target for 2010	70.0		60.0	50.0

Source: Eurostat.

The good labour market situation has helped get more people out looking for jobs. The marked increase in the labour supply recently is also due to demographic trends, with a large increase particularly among those aged 20 to 24 and those aged 60 to 64. The increase is due to larger cohorts and an increase in their percentage share of the labour force.

Table 5. National employment and unemployment 2006

Per cent	Total	Men	Women	Young People 16–24		
				Total	Men	Women
Employment rate, 16–64 years	74.5	76,8	72,1	44,0	43,5	44,6
Unemployment, 16–64 years	5,4	5,5	5,2	13,7	14,6	12,8
Unemployment (ILO definition)	7,0	6,9	7,1	20,7	20,6	20,9

Source: Statistics Sweden and Eurostat.

Total unemployment, that is, the sum of open unemployment and people in labour market policy programmes, has declined rapidly since the second half of 2006. The Government's latest forecast (Budget Bill for 2008) points to open unemployment at 4,0 per cent and total unemployment, that is those in open unemployment and those in labour market programs, at 5,9 per cent in 2008.

The Government has taken further steps² aimed at adjusting Swedish statistics in accordance with international recommendations and thus increasing their comparability with other EU countries. Previously, full-time students looking for work were not defined as unemployed in the official labour market statistics, even though according to international recommendations, they have been considered unemployed. Since the beginning of 2007, Statistics Sweden has reported unemployment in the group aged 15–74 in accordance with the EC regulations, which means that full-time students looking for work are included.

The continued high demand growth in the Swedish economy is creating good conditions for employment to keep on rising. However, resource utilisation in the labour market is thought to be rising and several indicators point to a growing labour shortage

Productivity and quality in work

Average productivity growth from 2002 to 2006 was about 4 per cent a year. This exceeds the trend growth, or potential productivity growth for Sweden. The forecast for 2007 is considerably lower, with a productivity growth of 0.8 per cent, owing in part to the later phase of the business cycle the economy has now entered.³ The Government has proposed a number of measures to boost productivity in the Swedish economy. Many of these measures were presented in the preceding microeconomic section in this report.

The way in which the work is organised is important for productivity and good use of the full capacity of the staff. The Government would like to emphasise that a good workplace is not just a working environment free from risk of injury or illness. There must also be good opportunities for employees to participate and develop based on their individual potential.

After a rise in the past few years of the 1990s and the first few years of this century, the frequency of declared work-related illness and accidents at work has returned to the level that prevailed in the middle of the 1990s. Declared work-related illness has declined 45 per cent in four years.

The frequency of accidents at work is much higher for the EU15 than for Sweden, especially for men. In the EU 15, the level for men is more than three times that in Sweden. Women in the EU15 have over twice as many accidents at work as women in Sweden. The number of fatal accidents per 100 000 employed came to 1.6 persons in Sweden in 2006. In comparison, the average for the EU15 in 2004 was 2.5 persons.

² See *Sweden's Reform Programme for Growth and Jobs 2006–2008*.

³ The business cycle, August 2007, National Institute of Economic Research and Budget Bill 2007/08.

It is important that the positive trend to fewer work-related accidents and absence due to illness continue. In 2007 the Government therefore began work on the basis for its future work environment policy (see Guideline 21).

Social cohesion

A labour market in which everyone has the opportunity to take an active part is a prerequisite for increasing social participation in society. At the same time, a high degree of participation and social cohesion are necessary for a high level of labour force participation over the long term. In spring 2007 the Government presented its national Strategy Report for Social Protection and Inclusion. The report contains national strategies for pensions, health care and hospitals, and elderly care. It also contains a national action plan for social participation aimed at fighting poverty and social exclusion. The action plan has four high priority goals: helping everyone get a job and an education; increasing integration; combating homelessness and exclusion from the housing market and improving the position of particularly exposed groups.

Sweden's proposal for national Structural Fund Programmes for regional competitiveness and employment was adopted by the European Commission in September 2007. The grants from the European Social Fund come to € 691.5 million for 2007–2013. In addition national co-financing will match that amount.

The overall goal of the national Structural Funds Programme is higher growth through a greater labour supply (about 70 per cent of the funding) and skills provision (about 30 per cent of the funding). The programme puts considerable emphasis on combating exclusion and it will contribute to compliance with the Lisbon strategy. The programme will give special priority to adequate competence in businesses and better integration, as well as getting young people established in working life. Transnational cooperation is possible in the programme.

Under the programme, regional plans will be drawn up for the eight geographical areas defined in the national strategy for regional competitiveness, entrepreneurship and employment. Conditions in under-privileged areas in bigger cities and metropolitan districts as well as the conditions in sparsely populated areas in northern Sweden should be considered in the development of the regional plans.

Important programme implementation criteria are: learning environments, innovation, cooperation and strategic influence.

Territorial cohesion

According to the indicators for regional differences – disadvantaged regions (NUTS II) – there are no disadvantaged regions in Sweden in terms of employment and unemployment. From a European perspective, the regional differences in employment and unemployment are relatively small in Sweden, even

though regional differences do occur. In 2006 the employment rate (for those aged 16–64) was highest in Kronobergs county, 79.7 per cent, and lowest in Gävleborgs län, 71.3 per cent. The difference between the county with the highest employment rate and the county with the lowest has shrunk by 1 percentage point between 2005 and 2006. The local differences are, however, greater than the regional ones. The average employment rate in the 24 metropolitan districts which are covered by the local development agreements for the reduction of segregation and for the promotion of sustainable growth conditions between 1999 and 2006 was 51.1 per cent. The development in employment rates between 1998 and 2005 has been positive in 20 of the 24 districts.

In Sweden's National Strategy for Regional Competitiveness, Entrepreneurship and Employment 2007–2013, the Government identifies skills provision and a rise in the labour supply as one of four national priorities. The strategy has laid the groundwork for the implementation of the EC Structural Funds in Sweden and serves as a guide for regional growth programmes and national government agencies. It is thus about measures to:

- support skills development that ensures that those already employed are not at risk of unemployment because they lack the skills that are in demand.
- through nontraditional measures, to make it easier for people that are very detached from the labour market to enter and remain in the labour market,
- prevent and fight discrimination and exclusion in the labour market,
- through innovative programmes, prevent long-term sickness absence and make it easier for people who have been on long-term sickness absence to go back to work.

Of the total financing for the regional growth programmes in 2006, SEK 26.1 billion, the central government has co-financed 54 per cent, which is equivalent to about SEK 14 billion. Of this amount, 18 per cent was channelled through the county labour boards.

Work to reduce labour market exclusion

Contribution from the Network Against Exclusion

The Network against exclusion gathers together representatives from over forty organisations and networks active in the social area. The Network is a forum for dialogue and the exchange of experience between organisations working with exposed groups. Here one finds the social economy, user and voluntary organisations, religious communities, the disability movement, immigrant organisations and others. The Network closely monitors the implementation of the social dimension of the Lisbon strategy and contributes to Sweden's Strategy Report for Social Protection And Social Inclusion.

In the past year the Network has implemented the Lisbon strategy at the local level in Stockholm, Göteborg, Örebro and Gävle by involving the Network's local organisations and other players. Social exclusion has been the common starting point. The Lisbon strategy's targets and the results achieved have been presented and linked to the Swedish Strategy Report For Social Protection And Social Inclusion.

The focus of these local activities has varied. The non-profit organisations' role in mobilising citizens, the social companies' role in job integration and training for groups that are very detached from the labour market, housing issues and debt rescheduling for people in financial distress have been important themes.

The local activities have also made municipal decision makers and agencies more aware of the Lisbon strategy. A process with the ambition of producing action plans for social protection and inclusion that are locally adapted has gotten under way. The local activities initiated by the Network against exclusion are needed for the Lisbon strategy to be visible and have any real meaning for individuals. By cooperating, private and public players can combat social exclusion.

The process can also be viewed as part of the dialogue recently initiated by the central government with the non-profit organisations.

4.2 Guideline 18 – Promoting a life cycle approach to work

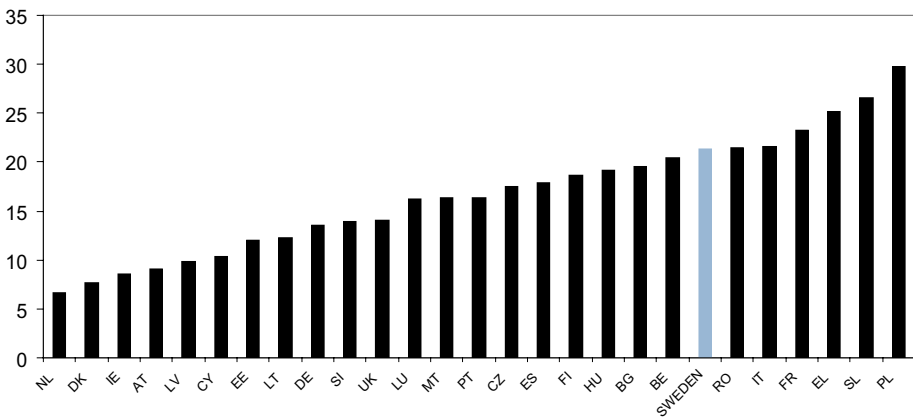
The Government has given priority to the work under way to increase people's labour supply over their lifecycle and reduce exclusion. This presupposes a smooth transition and successful adjustment from one phase of life to another. In the past year, economic development in Sweden, driven by strong domestic demand, has improved labour market conditions and led to a growing labour supply (see Guideline 17). However, many young people have difficulty getting established in the labour market, especially those who lack a complete upper secondary school leaving certificate, and many older people retire early. Furthermore many people are outside the labour market owing to illness. Given future demographic changes, success in meeting these challenges is vital.

In its progress report in December 2006, the European Commission pointed out that Sweden needed to continue measures to increase employment among young people and to get those on long-term sickness absence back to work. The Government shares that opinion. In Sweden's Reform Programme for Growth and Jobs, 2006 to 2008, the Government set out a broad package of measures to make it easier for young people to enter the labour market, to encourage a longer working life, to reduce absences due to illness, and to create equal conditions and opportunities for women and men to participate in working life and combine family life with working life.

Measures for young people

Unemployment among young people in Sweden is higher than it is in other age groups. It is also high compared with other EU countries. During the first half of 2007, 11.1 per cent of those aged 16–24 (10.5 per cent of the women and 11.7 per cent of the men) were unemployed. However, positive labour market developments in the past year have favoured young people aged 16–24 in particular. During the first half of 2007, the employment rate increased and unemployment among young people aged 16–24 fell more than it did in other age groups. During the first half of 2007, 43.7 per cent of the 16–24-age group were employed (44.1 per cent of women and 43.4 per cent of men).

Diagram 1: Youth unemployment rates 15–24, 2006, in per cent



There are a number of reasons for the higher unemployment among young people. Their often limited work experience combined with high employment costs means that too little consideration is given to their potential. This may possibly make it more difficult for them to get a foothold in the labour market. Moreover, many young people leave upper secondary school with skills that are not saleable in the labour market owing to shortcomings in the school system (see guidelines 23 and 24). The general measures that the Government is taking in moving towards a more effective labour market policy are expected to help overcome some of these problems. Of the approximately 11 500 new start jobs created since the inception of the programme on 1 January 2008, about 18 per cent went to young people⁴ under the age of 25; 25 per cent of which went to women and 75 per cent to men. Youth qualify for new start jobs already after six months of job search while others qualify only after twelve.

⁴ Young people are eligible for a new start job after six months as full-time jobseekers (twelve months for others).

The Government has also begun to implement a reform package targeted at youth unemployment. The aim is to increase the demand for young workers and strengthen the incentives for young people to work or get an education.

The job guarantee for young people between the ages of 16 and 24 described in Sweden's Reform Programme for Growth and Jobs 2006 to 2008 is proposed to come into effect on 1 December 2007 (Govt. Bill 2006/07:118). The job guarantee is aimed at young people who have been registered with the public employment service for three months. During an initial period, participants will receive intensified support in their job seeking activities, after which matching will be combined with enhanced measures, such as an internship or training. Benefits will be designed in such a way that young people will prefer to choose regular studies over unemployment. Participation in the job guarantee programme is limited to a maximum of fifteen months. However, participants are no longer eligible once they reach the age of twenty-five.

The previously announced halving of the employer's contribution and the payroll tax (with the exception of the retirement pension contribution, which is paid in full) for 18 to 24 year olds came into effect on 1 July 2007 (Govt. Bill 2006/07:84). As a result, wage costs fell by 11.11 percentage points for employees and by 10.46 percentage points for the self-employed. The Government intends to provide additional funding for apprenticeship and vocational training (see Guidelines 23 and 24).

The Government intends to provide a stimulus to young people living at home and dependent on municipal maintenance support to work extra alongside their studies. This change will be accomplished through uniform rules on how high an income these young people may receive without any reduction in the maintenance support to the family.

In 2007 the Swedish Labour Market Administration introduced a national programme to make it easier for young people to get established in the labour market. The programme will run for three years, after which it will become part of the Public Employment Service's normal activities. An information campaign will be directed at the relevant target groups.

The European Youth Pact – a new focus at the local level

The implementation of the European Youth Pact continues in Sweden. Over the past year, major efforts were made, particularly in education and employment. Measures in accordance with the aims of the European Youth Pact are reported in Guidelines 15, 17, 18, 20, 23 and 24. In February 2007, EU youth ministers underlined in Council conclusions the importance of local and regional strategies to achieve the goals of the Pact.

In August 2007, at the request of the Government, the National Board for Youth Affairs released the report "From EU Policy to Local Initiative" on how the Euro-

pean Youth Pact and the EU youth policy can be realised at the local level. The report is the product of dialogues with Swedish municipalities and county councils, the National Council of Swedish Youth Organisations and the Swedish Youth Council (an umbrella organisation for local youth councils).

On of the most important tasks of the National Board for Youth Affairs is to support the municipalities in developing a local youth policy. In the aforementioned report, the Board presented proposals on how government agencies could help support the municipalities' work implementing the goals of the European Youth Pact. The report is currently being considered by the Government Offices.

In proposals for new Structural Funds Programmes for 2007 to 2013, the Government has also opened up new possibilities for more and better measures on the local and regional levels to support the establishment of young people in the labour market.

A longer working life

From an international perspective, labour force participation among older women and men in Sweden is high. In the first half of 2007, labour force participation among people 55 to 64 years old came to 72.5 per cent (69.2 per cent for women and 75.8 per cent for men). In Sweden's National Reform Programme for 2006 to 2008, the Government presented a number of measures such as new start jobs and tax relief for people aged 65 or over, which aim to encourage employers to take on older workers and for older workers to stay longer in employment. About 20 per cent of the new start jobs created since the measure was introduced on 1 January 2007 have gone to people over 55, with a third of these going to women. Additional measures are forthcoming.

On 1 January 2007, the special employer's contribution on about 16 per cent of earned income for people over 65 covered by the new old-age pension system was abolished. From the beginning of 2008, the special employer's contribution will be abolished for those born before 1938, who are not covered by the 2007 pension reform.

To make it more worthwhile to work and to improve the financial situation of the worst-off pensioners, the rules governing the housing supplement for pensioners will be changed starting on 1 January 2008. The change means that everyone who is gainfully employed and eligible for the housing supplement will be allowed to keep a larger share of this supplement when earned income rises.

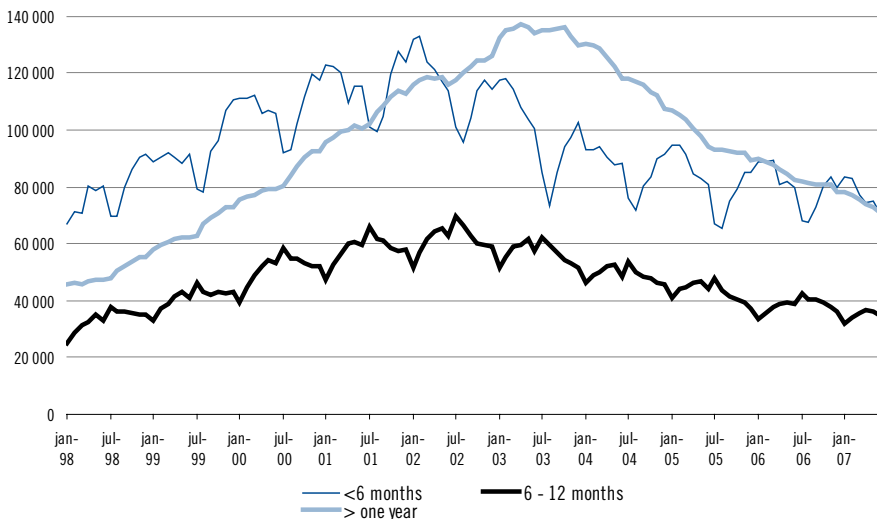
Less sickness absence

Sickness benefits are intended to provide security to those who become sick or are injured. At the same time, they should provide incentives and the possibi-

lity of returning to work. It is the Government's view that there needs to be a sweeping change in the way in which many people with work-related problems and health problems get help to go back to work. Sick leave has to be reformed so that it supports the work-first principle and provides more incentive to return to work.

At the end of June 2007, there were 175 000 people on sickness absence. The total number of persons receiving sickness and activity compensation (previously, disability pension/sickness allowance), a benefit which can be awarded when owing to illness, a person's ability to work is deemed to be permanently impaired or impaired for a protracted period came to about 553 000 in July 2007. The number on sickness absence has fallen from its peak a few years ago (compare with figure 2), both for short- and long-term cases. However, the number of persons awarded sick or activity compensation has in principle increased from year to year. It is only in the past year that the number in this group has begun to drop, even though marginally. Among the cases of sickness absence and among those who have been awarded sickness and activity compensation, about 60 per cent are women. One disturbing trend is that the number of young people awarded sickness and activity compensation has continued to rise in the past few years. Today over 12 per cent of the population aged 20 to 64 receives compensation related to ill-health.

Diagram 2: Absences due to illness, by month, Jan. 1998 – June 2007



Source: Ministry of Health and Social Affairs

In Sweden's National Reform Plan for Growth and Jobs 2006 to 2008, a number of reforms of the regulatory system for sickness insurance aimed at increasing

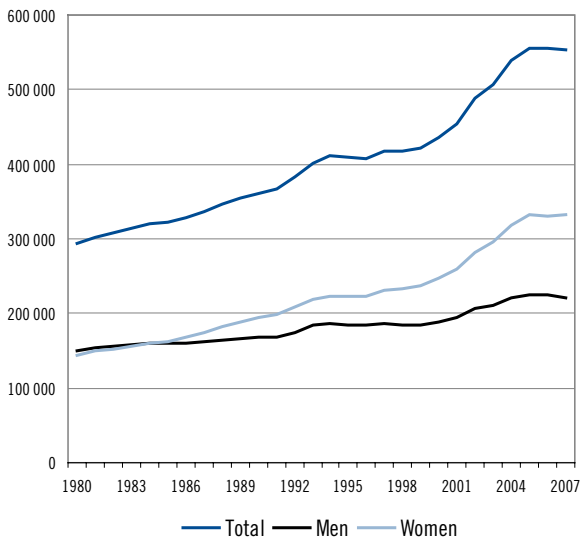
incentives to go back to work and strengthening the work-first principle were presented. The work-first principle is firmly established. The reform package presented by the Government in the Budget Bill for 2008 will provide even more reinforcement for the work-first principle.

Work is under way to draw up national Insurance Medicine Guidelines for sickness absence, which will act as a decision-support system when assessing the insured's ability to work in the event of sickness absence.

At the beginning of 2007, the income ceiling in the sickness insurance has been lowered from ten price base amounts to its previous level of seven and a half with the aim of providing a stronger incentive to return to work. The price base amount of 2007 is set at SEK 40 300.

In order to improve opportunities in the labour market for disabled women and men and to reduce the cost to the employer, the employer's co-financing of sickness benefit costs has been abolished.

Diagram 3. Number of people awarded sickness or activity compensation (previously, disability pension/sickness allowance)



Source: Ministry of Health and Social Affairs.

The weight of earned income in the calculation of the housing supplement to people with sickness or activity compensation will be changed beginning 1 January 2008 from 80 per cent to 50 per cent. This measure will improve the group's financial situation and reduce the marginal effects and thus make it more worthwhile to work (see also under "A longer working life").

The Government has proposed setting aside a total of SEK 3.4 billion for 2008 through 2010 primarily to improve workplace-oriented rehabilitation and medical rehabilitation.

The Government intends to supplement the current health care guarantee in the health care system with a rehabilitation guarantee for evidence-based medical rehabilitation measures aimed at enabling a return to work.

The Government wants greater importance attached to an individual's functional capacity in the assessment of his or her ability to work. According to the Government, there has to be greater uniformity in the assessment criteria used by social insurance and labour market policy as well as in the methods followed in assessing functional capacity. The Government will therefore look at these issues in the near future.

The Government intends to begin an experiment as soon as possible involving private employment agencies. The aim is to provide more people with the appropriate conditions for regaining the ability to work and returning to work. Companies should be given considerable scope in choosing the measures considered appropriate for each individual. For example, they could consist of support measures or pure matching of jobseekers and vacancies. Targeted measures for youth will also be tested and evaluated within this experimental framework.

The rules for sickness and activity compensation will be reviewed with the aim of improving testing for entitlement requirements, clarifying qualification requirements for entitlement to sickness compensation and increasing the financial incentives for trying gainful employment. For example, the period during which the insured can try gainful employment with compensation from both insurance and a salary will be extended. However, the total amount paid out will remain the same, that is, a lower amount will be paid out under a longer time.

Beginning 1 January 2008, a special new start job will be introduced, the "well again job" for people who have received full compensation from sickness insurance for at least a year in the form of a sickness benefit, rehabilitation cash benefit, or sickness and activity compensation. The aim of well-again jobs is to lower the cost of employing those on long-term sickness allowance. The reduction of the employer's contribution in well-again jobs is in most cases double that in new start jobs.

The current process for assessing a person's ability to work in the event of illness is often slow and leads to passivity. The process will therefore be replaced by a rehabilitation chain with specified time limits for the various stages in the testing.

The Government will propose a fixed time limit on the right to sickness benefits so that only in exceptional cases will the benefit be paid out for more than 12 months. If the ability to work is still impaired at the end of this time, another form of sickness benefit with lower compensation will be awarded.

Equal opportunities for women and men in the labour market

Compared with other countries in Europe, labour participation among women, both with and without children, is high in Sweden. Measures that over a shorter or longer term strengthen parents' foothold in the labour market and create equal terms and opportunities for women and men to participate in working life without having to choose not to have a family are of strategic importance in increasing the already high labour supply over the life cycle. One key factor in this connection is access to good preschools and childcare for both preschool and school children

Sweden has for a long time met the benchmark on preschools established within the framework of the European Employment Strategy. In 2006, 84.5 per cent of all children between the ages of 1 and 5 were enrolled in a preschool or family day care home – 76.6 per cent of all children between the ages of 1 and 3 and 96.9 per cent of all children between the ages of 4 and 5.⁵ This can be compared with the target within the framework of the European Employment Strategy that at least 90 per cent of all children between the ages of three and the compulsory school starting age and at least 33 per cent of all children under the age of 3 are to be offered childcare by 2010.

On 1 July 2007 tax relief for the purchase of household-related services was introduced. The reform means that the cost of buying household-related services under certain conditions has been cut by 50 per cent (see Guidelines 1–3). One of the aims is to improve the conditions so that women and men will be able to combine working and family life on equal terms. The reform is expected to lead to an increase in gainful employment among women.

The Government announced a family policy reform in the 2007 Budget Bill. Such measures as the possibility to introduce municipal child-raising allowance, the gender equality bonus, childcare vouchers and more pedagogic tasks in preschool will be the principal basis for the reform. In the Budget Bill for 2008, the Government has notified introducing the possibility of municipal child-raising allowance as well as gender equality bonus on 1 July 2008. The gender equality bonus can amount to SEK 3 000 a month and is provided to parents in the form of tax relief in one's tax account. The bonus provides a strong incentive to share the parental allowance equally and to return to work. Thus the bonus improves the conditions for equality and for a strong bond between the child and both parents and mitigates unjustified pay differentials.

More measures in line with the European Pact for Gender Equality

The implementation of the European Pact for Gender Equality continues. More measures being taken in 2007 and 2008 will strengthen women's position in the labour market and make it easier for women and men to reconcile gainful em-

⁵ National Agency for Education.

ployment and parenthood. A gender equality bonus making it easier for parents to share parental leave equally and providing an incentive to return to work will be introduced on 1 July 2008. Earned income and the extent to which the parents share the parental benefit will determine how big the bonus will be.

The Government is making a strenuous effort to encourage women's entrepreneurship. One measure is a three-year programme for information, advisory services and business development. In addition there was a change in the law on 1 July 2007 increasing the scope for entrepreneurship in the welfare sector, which is now mostly publicly operated. A greater choice of employers in such sectors as health care and childcare could help improve working conditions and wage development in a female dominated profession. The aim of the tax reduction for household-related services introduced 1 July 2007 is to make it possible for women and men to spend more time in the labour market and make it easier for them to combine work with family life. To facilitate analysis, follow-up and coordination of measures, the Government intends in 2008 to draw up a cohesive strategy for gender equality in the labour market and in the business sector.

In 2008 the Government will redouble its efforts to increase the proportion of women managers in the central government. This is a step in the effort to achieve the goal to resolve by 2010 the unexplained pay differential between women and men in the central government.

Measures linked to the Pact on Gender Equality can be found in Guidelines 1-3, 15, 18, 19 and 22.

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

Initiatives increasing labour supply and demand for people who have been excluded from the labour market for a long time form major parts of the Government's labour market policy. It also includes measures aimed at improving the matching between job seekers and vacancies. The policy aims at reducing labour market exclusion and improving the functioning of the labour market as well as strengthening the public finances.

Incentives to work

To reinforce incentives to work and thereby increase labour supply and employment is one of the Government's most important tasks.

The Government's tax policy is directed at making it more worthwhile to work. At the start of 2007 an in-work tax credit was introduced, which makes it more worthwhile to work for those outside the labour market. By lowering

marginal tax rates, the tax credit also contributes to an increased labour supply from those already working. In the Budget Bill for 2008 the Government proposes increasing the in-work tax credit as of January 2008 as parts of the efforts to further stimulate labour supply in orders to increase employment.

Unemployment insurance is meant to be readjustment insurance for short periods of unemployment. The changes in unemployment insurance announced earlier and now implemented aim at enhancing its role as readjustment insurance and help people to get back to work more quickly.

The work requirement to qualify for unemployment benefits has been increased and the length of work has been given more importance in determining the benefits level.

Unemployment benefits will be paid for a maximum of 300 days or 450 days for parents with children under the age of 18. The possibility to extend the benefit time has been abolished. Benefit levels in the unemployment insurance have been reduced from 80 per cent to 70 per cent after 200 days of compensation. The increased daily allowance that used to be paid during the first 100 days has been abolished. Adults who are unemployed after 300 days of unemployment benefits will be offered a place in the job and development guarantee where a compensation amounting to a maximum of 65 per cent of previous income will be provided. Parents who have children under the age of 18 can opt to participate in the job and development guarantee scheme voluntarily after 300 days with compensation. Unemployment benefits and benefits received when participating in labour market policy programmes (activity support) have been coordinated so that a maximum of 300 days of compensation (450 days for parents) is granted regardless of whether it is unemployment compensation or activity support that has been received. In addition, the degree of self-financing in the unemployment insurance has been increased. (See Sweden's Reform Programme for Growth and Jobs 2006 to 2008)

The Government has appointed an Inquiry Chair to propose how the present unemployment insurance could be transformed into a mandatory insurance (ToR. 2007:100).

The Government intends to further strengthen the incentives to unions for being responsible in wage negotiations and the incentives to the unemployment insurance funds to increase their control of erroneous payments. Unemployment insurance contributions will be more clearly connected to expenditure as of 1 July 2008. A new contribution, the unemployment contribution, will replace the increased financing contribution. The new unemployment contribution will correspond to 33 per cent of the unemployment insurance funds' payments of income-related unemployment benefits.

The possibility to receive benefits for part-time unemployment will be reduced. Under the current system, all the 300 days eligible for compensation (450 days for parents with children under the age of 18) can be used for part-time

unemployment benefits. For someone working 80 per cent of the time, this implies that she or he will receive compensation for almost six years. Under the new system, only 75 days out of the 300 days eligible for compensation (450 days for parents with children under the age of 18) can be used for part-time unemployment benefits. Single parents responsible for support of children under the age of 18 will be offered part-time employment under the job and development guarantee with activity support when they have used up their 75 days.

In addition, the Government intends to give those who have been part-time unemployed for more than two years and switch to full-time employment a chance to qualify for new start jobs. This possibility will apply temporarily in 2008. The new start job may last for one year only. The reduction of the employers' contributions will in this case be half of the reduction for regular new start jobs.

To strengthen incentives for people in work who change jobs to do so without an interim period of unemployment, the Government is introducing a further two qualifying days for unemployment insurance.

As mentioned earlier in this report and in last year's Reform Programme, the Government has introduced new start jobs, which aim at markedly lowering the threshold for hiring those most detached from the labour market. The Government intends to extend the new start jobs scheme to include the entire public sector, which will benefit health care and social services. This will open a new road to employment, particularly for many women.

A labour market opens to all

The Government's jobs policy focuses on measures which stimulate both the supply of and the demand for individuals furthest away from the labour market. This labour market policy reorientation also entails directing most of the resources available for labour market policy programmes to those furthest away from the labour market.

The employment trend of foreign born individuals reflects the general trend of increasing employment rates. The increase of the employment rate, between 2005 and 2006, for foreign born men between the ages of 16-64 has been greater than that of native born citizens. Despite a not so encouraging development in the employment rate of foreign born women, the total increase of the employment rate, between 2005 and 2006, has been more or less the same for foreign and native born.

The discrepancy in employment rates among foreign and native born – which is greater between women than between men – remain and corresponded in 2006 to 12,2 percentage points for men and 16,1 percentage points for women. The employment rate of foreign born men between the ages of 16-64 was 66,4 per cent in 2006, while the corresponding figure for foreign born women was 58,6 per cent. Important discrepancies in terms of unemployment rates remain

as well. The unemployment rate of foreign born was in 2006 twice that of native born. Concerning youth, foreign born youth have greater difficulties establishing themselves on the labour market than native born youth.

Table 6. Employed foreign/Swedish born aged 16–64, 2005 to 2006, in per cent

	2005	2006
Women born in Sweden	74,2	74,7
Women born abroad	58,7	58,6
Men born in Sweden	77,8	78,6
Men born abroad	64,8	66,4

Source: Statistics Sweden

In Sweden's National Reform Programme for Growth and Jobs 2006 to 2008, a number of general as well as more specific measures aimed at strengthening the foothold of the foreign born in the labour market were presented. The new start jobs, which were introduced in January 2007, reduce the employers' costs of hiring people who have not been in employment for a long time. Of the more than 11 500 persons who have thus far received a new start job, about one third are foreign born. The Government presented in its 2007 Spring Budget a comprehensive integration policy initiative to further expedite entry into the labour market for people with foreign backgrounds.

"Step-in" jobs were introduced as of 1 July 2007. A step in job is a subsidised job in the public or the private sector. Employment will be tied to participation or results achieved in Swedish for Immigrants. The step-in jobs are intended for asylum seekers who have received a residence permit, quota refugees and close relatives of people in these two groups for the first 18 months after receiving a residence permit. The wage subsidy will amount to 50 per cent in the public sector and 75 per cent for private employers and public sector employers engaged in business activities.

The Public Employment Service's resources for professional assessment have been augmented by SEK 25 million in 2007 and will be augmented by another SEK 10 million annually from 2008 to 2010.

The Government intends to look into the possibility of introducing an incentive payment for those who acquire a good knowledge of Swedish or find a job within a certain time after having received a residence permit.

An Inquiry Chair has been asked to submit proposals on how responsibility and financing for the reception of refugees and measures for newly arrived immigrants can be designed in order to reinforce the incentives of municipalities, government agencies and other players to work for a speedy entry of the newly arrived into the labour market and the incentives of the individual to support herself/himself. The Inquiry Chair is to submit a proposal on 2 June 2008.

To strengthen regional cooperation, the responsibility for negotiations about places in municipalities was moved to the regional county councils on 1 July this year in connection with the abolition of the Swedish Integration Board. The primary aim should be to make agreements with municipalities that fulfil the condition of having a good labour market within commuting distance.

In order to facilitate the reception of refugees in municipalities in regions with a good labour market and provide clear incentives for accelerating the establishment of refugees in the labour market, an extra compensation to the municipalities was introduced as of 1 January 2007. It is partly based on results.

The Government has instructed the National Commission on Validation to initiate and conduct, from 1 July to 30 November 2007, a pilot activity to validate the foreign qualifications of at least 500 persons in accordance with industry-specific models developed in cooperation with industry bodies. Validation of training and job skills is an important instrument which can facilitate the entry into the labour market of, among others, immigrants.

The Government has asked a number of universities and colleges to arrange supplementary courses in 2007–2008 for people who have completed foreign training in law or teaching and for those with high-level practical training in public administration in a foreign country. Providing an opportunity to supplement foreign training is an important measure for facilitating the integration of foreign-born jobseekers.

An Inquiry has been appointed charged with proposing a fair and effective procedure for recognition of health care training from countries outside the EU/EES, which is subject to authorisation by the National Board of Health and Welfare (U 2007:C). The current procedure leads to a long wait for many professionals before they can get their authorisation and enter the Swedish labour market. Experience of regional projects shows that the time before authorisation can be reduced significantly. The reformed procedure will cover the whole authorisation system, from the application for an assessment of the foreign training to the issuance of the authorisation. The Inquiry's proposal is to be submitted no later than 31 October 2007.

The Government intends to present in 2008 a cohesive integration policy strategy for the remainder of the mandate period. The strategy will primarily include general measures against exclusion and various measures to further highlight the work-first principle in a way that strengthens the labour market competitiveness of people born abroad.

The functionally disabled also have a weaker position in the labour market than other groups do. This is especially true for people who are disabled in a way that reduces their ability to work. In general, employment is significantly lower among functionally disabled people than in the rest of the population. For example, in 2006 employment among disabled persons with reduced ability to work was 50 per cent among women and 54 per cent among men.

The National Labour Market Board, the Swedish Social Administration, the National Agency for Education and the National Board for Health and Welfare have been asked by the Government to formulate a common strategy for making more functionally disabled people able to earn a living. The strategy will be submitted to the Government no later than 29 February 2008. An important basis is that the agencies' work should be better coordinated and that existing resources should be used more efficiently.

In order to combat the exclusion of functionally disabled people with reduced ability to work, the Government announced in the 2007 Spring Fiscal Policy Bill that the appropriation for wage subsidies and Samhall (a state-owned company providing work to people with disabilities) will be increased by SEK 558 million in 2008. This increase corresponds to more than 2 000 subsidised jobs and more than 1 000 jobs at Samhall. This means that the temporary increase in the number of subsidised jobs that was earlier decided for 2006 and 2007 can be kept in 2008 and that a further increase can be made from 2009. The appropriation is expected to increase by SEK 768 million in 2009 and by SEK 947 million in 2010.

Work has also been initiated within the Government Offices of Sweden to promote social enterprise. Social enterprise can contribute to create new jobs, improve integration and increase labour force supply and, thus, contribute to economic growth. The Ministry of Employment, of Enterprise, Energy and Communications and that of Health and Social affairs work jointly on this initiative.

Better control of the insurance systems

Benefit levels in the welfare systems in Sweden are high compared with other countries. To maintain such high levels the systems must not be overused and benefits and allowances paid only to those who are eligible (see also the section "Measures to fight fraud and overuse"). It is therefore vital both for the legitimacy and for the funding of Sweden's welfare systems to increase controls and make them more effective and to reclaim benefits and allowances that have been wrongly awarded. A number of measures with this aim have been taken in recent years. A law on social security fraud came into force on 1 August 2007 (Govt. Bill 2006/07:80). In addition a law on interest on Social Security Fraud Act (Govt. Bill 2006/07:49) came into force on 1 July 2007.

The Government has appointed an Inquiry with the task of proposing a supervisory function for the social insurance administration that is separate from the Swedish Social Administration (ToR 2007:24).

In spring 2007 the Government submitted a bill to increase employers' ability to control short absences due to illness. The bill proposes that employers should be given the possibility of demanding a doctor's certificate from an employee from the first day of absence.

In last year's Reform Programme, the Government stated its intention to strengthen and review the regulatory frameworks in labour market policy in order to reduce fraud and ensure that the rules in place were followed. As a result, a number of measures have been taken.

Additional changes in unemployment insurance in 2007 have resulted in stricter and clearer rules on how and when compensation is to be given in case of unemployment (see also the section "Incentives to work").

Both the National Labour Market Board and the Swedish Unemployment Insurance Board have been asked in their appropriation directions to analyse the extent of incorrect disbursements, the reasons for them and the trend. The agencies are to report their findings to the Government in October 2007.

4.4 Guideline 20 – Improving matching of labour market needs

Success in combating unemployment and exclusion and an efficient matching of jobseekers and vacancies, both in a country and between countries, requires well-functioning institutions and regulatory frameworks. In 2006 the Government initiated a comprehensive reform activity, which was described in Sweden's Reform Programme 2006 to 2008. The Government intends to push on with this reform work.

Modernising and strengthening labour market institutions

It is the public employment offices' task to contribute to a well-functioning labour market. New age structures owing to an ageing population, new skills requirements and a large number of people not working for various reasons require a modern and well-functioning employment service.

As mentioned in last year's programme, the Riksdag decided in the spring, following a proposal by the Government, to reform the National Labour Market Board, that is, the agency under which the local employment offices are placed. This work will continue during the autumn of 2007 and the new agency will start functioning as of 1 January 2008. The current agency structure in the labour market makes governance difficult and makes the activities less efficient. The aim of the reform is to achieve a more effective, uniform and fair public employment service. The Government will follow up and evaluate whether or not the reform gives the intended result.

Improving matching of jobseekers and job vacancies

Given an increasing labour shortage in certain professions and sectors of the labour market and the demographic trend to an ageing population, improving the matching of jobseekers and job vacancies is a high priority for the Swedish Government.

The percentage of firms reporting labour shortages has risen recently and is now at a relatively high level. The length of time for recruitment and the percentage of vacancies have also increased in some sectors. The wage agreements concluded last spring will lead to wage increases in future that are significantly higher than the average in recent years. This indicates that there is not much free labour left in the economy. Capacity utilisation in the labour market is getting strained. This is happening in spite of the fact that open unemployment is over 4.5 per cent and exclusion is still significant. This situation indicates that it is important to take measures to improve the functioning of the labour market.

It is the Government's assessment that the public employment service should be supplemented by more agents carrying out employment services. Making the supply of employment services broader and more diversified can facilitate the matching of job seekers and employers.

Starting in 2007, the National Labour Market Board (AMS) will endeavour to use supplementary agents more actively. AMS is to ensure and make it clear that supplementary agents are part of the services provided. In 2007, AMS started a pilot project which entails procuring services from private agents. The project is being evaluated by the Institute for Labour Market Policy Evaluation (IFAU). The project is a first step towards increasing procurement of external agents as a supplement to the public employment service.

In December 2006 the IFAU delivered its report on the previously announced Government remit to construct the basis for a profiling model to be used by the employment offices. The aim is to further enhance the employment service's capacity for more effective matching. To begin with, AMS will test the model in a trial county. If the test yields good results, the profiling model will be introduced at a number of selected offices throughout Sweden. The IFAU plans to conduct an evaluation to see if this model improves the allocation of labour market policy measures and thus contributes to a faster flow into the labour market.

Removing obstacles to labour mobility in the EU

Free mobility in the EU is a basic prerequisite for providing job seekers with sufficient opportunities to look for jobs in other countries. But rules that guarantee open borders are not enough. Sweden chose to allow the free mobility of workers to apply also to employees from countries that became Member States on 1 May 2004 and 1 January 2007. Nevertheless, few workers from the new Member States have chosen to come to Sweden.

In order to increase access to information about jobs in other Member States for jobseekers in Sweden, AMS adopted a new policy for Eures which entails building Eures competence at all the employment offices in Sweden.

A new structure for education and qualifications in Swedish higher education was introduced on 1 July 2007. The changes are in accordance with agreements under the Bologna Process. The new regulations for qualifications in Swedish higher education have been established in cooperation with the social partners and with the employability perspective particularly in mind.

Within the framework of the Bologna Process, the National Agency for Higher Education had the task in 2007 to propose a reference framework for qualifications in Swedish higher education. The proposal, which was submitted to the Government in June 2007, was developed in consultation with universities, colleges and other relevant authorities and organisations. The matter is now under preparation in the Government Offices.

Facilitating immigration of labour from third countries

Labour immigration is one instrument among many for combating bottlenecks hampering growth in the short run and mitigating the negative impact on labour supply of future demographic changes in the long run, thereby contributing to future growth and welfare. In this light, measures to facilitate the immigration of labour from third countries continue to have a high political priority in Sweden.

The Inquiry announced earlier with the remit to review the regulatory framework governing the possibilities for labour immigration submitted its final report in October 2006. The report and a supplementary Ministry Communication have been sent out for comment in the autumn of 2007 and a new regulatory framework is expected to come into force in 2008.

In tandem with the work to facilitate labour immigration from third countries, work is actively going on to enhance the integration of people born abroad who are already in Sweden or who are coming as refugees or their close relatives (see Guideline 19).

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

More international economic integration and accelerating technological development pose new challenges to firms and individuals with respect to security and flexibility. A good balance between security and flexibility in the labour market is necessary in order to promote adjustment and mobility in the labour market, increase employment and reduce exclusion.

The design of the benefit, tax and social security systems (see Guidelines 18 and 19), the quality of education (see Guideline 23/24) the functioning of labour

market policy (see Guidelines 18, 19 and 20) and the design of labour legislation are all factors affecting the adaptability of individuals and firms.

Labour legislation: flexibility and security

Labour legislation should contribute to a working life which satisfies the needs of both employees and employers for flexibility, security and influence.

Labour legislation generally provides good scope for combining secure labour market conditions with high employment. By way of collective agreements, the system can be adapted to the varying conditions in different parts of the business sector. The social partners can also take responsibility for the development of a modern and well-functioning working life through their own initiatives. Thus the Government will safeguard the Swedish model where conditions in the labour market are primarily regulated by collective agreements.

The Government's starting point is that a simplification of the legislation and fewer restrictions on fixed-term contracts can facilitate recruitment and new appointments and thus contribute to the creation of new jobs and to new growth opportunities for enterprises. Contracts of unspecified duration should form the basis of the labour market, but fixed-term contracts are an important bridge to working life for young people and others with little or no work experience. Fixed-term contracts, as a supplement to contracts of unspecified duration, make it possible for people who are very detached from the labour market to get established and gain work experience. At the same time, it is important that employers be given the opportunity to make longer commitments than they can in the present system, so that employees can get good work experience. It should be easy to take on new employees.

The Government has introduced reforms for the regulation of fixed-term contracts, most of which came into effect on 1 July 2007. The rule deciding when a fixed-term contract for a substitute changes to a contract of unspecified duration will come into force on 1 January 2008. In short, the new rules on fixed-term contracts are as follows:

- A contract of fixed-term employment may be entered into for a general fixed-term employment, for a substitute, for seasonal work and for employees aged 67 or more.
- A general fixed-term contract changes into a contract of unspecified duration when an employee has been employed by the same employer on a general fixed-term contract for more than two years in a five-year period. The same applies to an employee who has been employed as a substitute.
- The qualification time for priority to re-employment will continue to be 12 months during the last three years (a return to an earlier rule). The same applies to the qualification time for the right to information that a fixed-term contract will be terminated.

- The rules on seasonal employees' rights of priority to re-employment and information that they will not be re-employed at the beginning of the next season will continue to be in force.
- Employers will be obligated to give information about vacant jobs without specified duration and trial jobs directly to employees on parental leave with fixed-term contracts only if the employee has asked for it.
- Employees will no longer be able to count their employment time twice after reaching a certain age.

By abolishing the rules on older employees' right to count the time of employment twice, the Government has eliminated a rule that may have had a negative impact on mobility in the labour market. It can also be assumed that the rule has made it more difficult for older workers to get a job. In addition, the rule may have contributed to discrimination against young workers.

Work environment and work organisation

The Government would like to emphasise that a good workplace is not just a working environment free from risk of injury or illness. There must also be good opportunities for the employees to participate and develop based on their individual potential. The way in which the work is organised is important for productivity and good use of the full capacity of employees. It is also important for the security and flexibility of the employees. Technological development should make it possible to increase flexibility with respect to where and when work is carried out.

Work on a basis for the Government's future labour market policy began in 2007. The work will pay attention to various aspects of the working environment. The work will be done in broad cooperation and discussions with relevant actors and parties. An important basis for the work is to create more and better jobs that develop workers' potential and at the same time break the exclusion of those very detached from the labour market. One of the main policy tasks is to prevent ill health and accidents to the greatest extent possible.

Combating undeclared work and tax evasion

In order for it to pay to work, the tax and welfare systems must be designed so that they provide an incentive to work (see Guidelines 1–3).

A tax reduction on private individual's purchases of household-related services has been introduced. It was announced in the 2008 Budget Bill that the system will be expanded. There is also a proposal in the Budget Bill to introduce the earlier announced reduction of the social security contributions for certain parts of the services sector (see Guideline 1–3).

The reverse charge of VAT for the construction sector has been implemented. The requirement to keep a register of the staff in restaurants and hairdressers

has led to a major increase in the number of registered employers and in the VAT reported by these sectors.

The Government has proposed an increase in the tax reduction for earned income (the in-work tax credit), which will have an impact on the profitability of declared work (see Guideline 1–3).

The Government has appointed an Inquiry on changing the independence requirement in the business concept of the Income Tax Act. The Inquiry will no later than 1 June 2008 submit proposals to make it easier to start a business and get an “F-tax” certificate for those having a small number of customers. Eliminating difficulties in starting and running a business legally can be expected to diminish the incentives to run undeclared businesses.

Security/Adjustment Agreements

Contribution from the Swedish Social Partners

As was presented in the Swedish Reform Programme for Growth and Jobs 2006–2008, Sweden’s social partners have negotiated security/adjustment agreements, which help workers who have been given notice owing to shortage of work to find new jobs by way of adjustment measures and financial support. The employers are also given advice and support in the adjustment process. By supplementing the efforts of the public employment service, the agreements contribute to improving the functioning of the labour market, to the security of employees and to geographic and professional mobility in the labour market. In this way, the necessary structural change will be more readily accepted by the employees concerned.

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

In an international comparison, the social partners are relatively influential in Sweden. The model that has developed since the beginning of the twentieth century has created a stabilising balance of power in the Swedish labour market and contributed to well established legal rights for employees and stable conditions for the employers. The leading principle is the social partners’ regulation of conditions in the labour market through collective agreements. The Swedish system is based on the trust that has been established between the social partners, a high degree of organisation and the strong position given to collective agreements in civil law.

A well-functioning wage formation

The social partners have a great responsibility for the wage formation process and they are expected to take responsibility for entering into and respecting

agreements without any involvement by the state. A regulatory framework establishing the rules for wage formation, including rules on strike and lockout actions, intermediation and a prohibition against unjustified pay differentials, provides a good basis for the social partners to enter into agreements that are adapted to varying conditions. For example, there is no stipulated minimum wage in Swedish law. The use of collective agreements creates a broad understanding between the partners that adds legitimacy to signed agreements. The National Mediation Office is a government agency with the tasks of mediating in labour disputes and encouraging a well-functioning wage formation. It was established in 2000. The establishment of the Mediation Office does not change the principle that the main responsibility for wage formation rests with the social partners. The Government considers the wage formation process to be functioning well and to be contributing to the stability in the Swedish labour market (See Sweden's National Reform Plan for Growth and Jobs 2006 to 2008).

In 2007, the Government introduced new start jobs for people who have not been working for more than a year. They represent a tax subsidy to employers equal to the employer's contribution (see Guideline 18). In addition the Government intends to abolish social security contributions except for retirement pension deductions for some parts of the services sector as of 1 January 2008. The measure aims at reducing the cost of labour and increasing demand for low-skilled labour. The reduction is selective and therefore is not expected to affect wage formation in general (see Guidelines 1–3).

The tax reduction for earned income, the in-work tax credit, which came into force on 1 January 2007, has reduced the average tax and the marginal tax markedly for low- and middle-income earners. The tax reduction has boosted the disposable income of low- income earners, which may dampen wage demands some and help prevent wages for low skilled workers from becoming so high that they stop firms from hiring. The strengthened in-work tax credit announced in Guidelines 1–3 will mainly benefit low- and middle-income earners.

A higher degree of self-financing in the unemployment insurance was introduced on 1 January 2007 to reinforce the incentives for unions to be restrained in wage negotiations and to strengthen controls to avoid incorrect disbursements. The Government will reinforce these incentives further by linking contributions to expenses in the unemployment insurance in the individual unemployment insurance funds.

Wage discrimination based on gender

In 2006, women's pay was on average 84 per cent of men's pay. The pay differential has remained largely unchanged since the beginning of the 1990s. County councils have the largest pay differential while municipalities have the smallest when no allowance is made for differences in background factors. Allowing for

differences in age, education, hours worked, sector and occupation, women's pay as a percentage of men's was 92 per cent in the labour market as a whole, 92 per cent for the general government sector, 93 per cent in county councils, 98 per cent in municipalities and 91 per cent in the private sector. The private sector has the largest pay differential when allowing for differences in background factors. The remaining pay differential, after adjusting for relevant variables, presumably indicates pay discrimination. The Government is of the opinion that all forms of pay discrimination for reasons of gender must cease.

It is the Government's objective to have taken the necessary measures against the unexplained pay differentials between women and men in the Government by 2010. At the same time the authorities' work to get women into leading positions is to be intensified (Govt. Bill 2006/07:100).

Furthermore, a change in the law was introduced on 1 July 2007 which lays the foundation for increased diversity among care givers. Exposing the sectors dominated by women such as health care and child care to competition may contribute to more women starting businesses. Women will also have more employers to choose among.

The tax reduction for people who had expenses for household-related work introduced on 1 July 2007 will increase the possibilities to buy services which make everyday life easier and enable women and men to increase their working hours. It should make it easier for women and men to combine work and family life and increase the possibilities for women to have a career and compete in the labour market.

4.7 Guidelines 23 and 24 – Adapting education and training systems in response to new competence requirements through expanding and improving investment in human capital

Skills for the future

Lifelong learning and more effective investment in human capital are essential if Sweden is to be internationally competitive and create economic growth and increased prosperity. A good compulsory and secondary school education, a well-designed adult education system and higher education of an internationally competitive quality are preconditions for achieving this goal. They also provide the basis for future research and development.

Even though Sweden is one of the countries putting most resources into education in relation to GDP, the Government is of the opinion that Sweden has not attained the position it should have in international rankings. To meet the challenge – and reclaim pole position– the Government will continue to make more improvements to all parts of the education system. This requires increasing the quality of the education system and its ability to achieve its objectives in a consistent and comprehensive manner. The Government also wants schools to

be better at earlier identification of students who are having problems meeting the school's objectives. More and earlier identification will make it possible to start various types of student support at an earlier stage. The Government also wants to improve conditions for teachers. The Government has made cooperation between the school and the business community as well as incentives and support for lifelong learning priorities.

Improving the quality of the education system

Intensive work is under way to improve the quality of education so that more pupils in the compulsory school meet the knowledge objectives.

In the 2008 Budget Bill, the Government has proposed a "reading-writing-arithmetic" initiative to reinforce the work on basic skills in the schools. For the year of 2008, a total of SEK 900 million has been earmarked for students at risk of failing to meet the school's objectives. Priority has been given to students in years 1–3.

A working group in the Government Offices has been asked to study and propose a new grading scale. One of the starting points for the Working Group on Grading is that grades should be given from year 6 of the compulsory school rather than from year 8 as they are today. Moreover the intention is to make it possible to include grade-like judgements in the individual development plan with the aim of making information on study results more transparent to students and parents.

An Inquiry has presented a report with proposals for a new objectives and follow-up system for the compulsory school (SOU 2007:28). The Inquiry Chair has proposed that there be fewer objectives and clearer skill requirements in the curriculum. The report is currently on circulation for comments.

The National Agency for Education was requested to propose objectives and national tests in certain subjects for year 3. It submitted its proposals on objectives for year 3 to the Government (U2007/4461/S) on 1 June 2007. The proposal is currently on consultation within the Government Offices.

The Government intends to introduce a new education act. In the ongoing work on a new education act, the Government particularly wants to emphasise the schools' responsibility to convey knowledge, teachers' professional freedom and parents' freedom of choice. The Government is also of the opinion, and study results show, that more frequent and more stringent quality control of schools' academic achievement is needed. Furthermore, the Government decided terms of reference for an Inquiry that is to present proposals on the educational inspectorate's future direction and form (ToR. 2007:80). The Government has also announced that the inspectorate's resources will be strengthened by SEK 150 million a year from 2008.

Quality improvements in higher education are a priority. It is important that resource allocation to universities and colleges better reward quality. In the 2007

Budget Bill, the Government reallocated SEK 120 million to a programme for improving the quality of social science, law and theology education. In the 2008 Budget Bill the Government has proposed that an additional SEK 240 million be allocated to higher education in order to continue improving quality.

The Government will take various measures to reduce political involvement in university governance. The aim is to create the conditions for developing and maintaining strong academic institutions respected for their academic integrity. Following a decision in March 2007, academic institutions have been given more influence over the composition of their board of governors.

It is the Government's view that there is also a need to refine, focus and improve the efficiency of the structure of central government agencies operating in the areas of preschool activities, childcare for school children, schools and adult education. An Inquiry Chair has therefore been appointed to review their structure and make recommendations on how the division of responsibility can be clearer and how they can be more successful in achieving their objectives. The Inquiry Chair will report no later than 1 November 2007.

Independent adult education

It is the Government's view that a diversity of high quality training programmes that are rooted in individual needs and aspirations should be encouraged. Individual providers of education who can assign grades may lead to greater variety of programmes and other desirable new developments in adult education – for example, access to education based on each citizen's needs and wishes – and also to competition among the providers, which will promote quality. The existence of independent education providers helps the development of a system for lifelong learning. Formal adult education is an important part of such a system.

A state-approved system similar to that which exists for independent compulsory and upper secondary schools should therefore be introduced for independent providers of adult education. Based on these considerations, the Government has appointed an Inquiry to examine and submit proposals on how a system with independent education activities for adults of the kind found in the public school system should be introduced. The Inquiry Chair will report no later than 3 March 2008.

Measures for teachers

The Government has in view a number of measures to develop teachers' competence. An Inquiry Chair will review the Education Act's regulations on teacher competence. The aim is to improve students' ability to achieve objectives as well as propose how the regulations on teacher qualifications can be made clearer (ToR. 2006:07). The remit also asks for proposals on the design of a state authorisation system. The aim of such a system is to strengthen the incentives

for teachers to advance the quality of instruction and to keep furthering their education and deepening their knowledge so that children have a better chance of achieving the objectives set for them.

An Inquiry with a remit to submit proposals on a new teacher training system aimed at reinforcing the quality of education has been appointed (ToR. 2007:103). Its starting point is that in-depth knowledge of the subject is to have more weight than it does in current teacher training. The proposal should be submitted to the Government no later than on 1 February 2008.

To strengthen professionally active teachers' competence, the Government has allocated SEK 2.9 billion on continuing education for teachers for a four-year period running from 2007 to 2010 under "Lärarlyftet" (the boost for teachers) programme. The continuing education will be primarily directed at advancing teachers' theoretical knowledge of their subject and their competence in teaching the subject. The programme will give 30 000 teachers the chance to take continuing education courses at an academic level. The Government's measures include special funding under the "Lärarlyftet" for continuing education for teachers who teach Swedish to immigrants; further training to give unqualified teachers the chance to obtain a teacher's diploma (SEK 240 million over four years), and opportunities for teachers to do research or pursue postgraduate studies (a total of SEK 500 million for four years) related to special preschools. The Government has also allocated SEK 66 million for special needs education for special needs and other qualified teachers.

Meeting targets

In 2006, 10.7 per cent of young women and 13.3 per cent of young men aged 18 to 24 had completed compulsory education (ISCED level 2) or less and did not participate in any further training. This is a change for the worse compared with 2005. The efforts in the school system to raise quality will continue to have high priority. The Government therefore intends to work for the implementation of various support measures to help students who need extra support. Schools will be given tools to enable them to offer this support.

Greater freedom of choice and competition provide incentives to municipal and independent schools to raise the quality of the education they offer. On 1 January 2009, the liberty to apply for admission to an upper secondary school outside the normal catchments area will be introduced (Govt. Bill. 2006/07:71). This means that students' will have greater possibilities in choosing an upper secondary education outside their home municipality. This is expected to contribute to increased cooperation between municipalities, to enhance the supply of education and to increase growth in the region.

The Government has decided to appoint an inquiry to propose changes in the legislation to enable public and independent schools to operate under similar terms (ToR 2007:33).

The Government intends to reform upper secondary school so that it is better at achieving its objectives. Students in national and specially designed programmes currently have to study theoretical subjects to meet the minimum university entrance requirements. Many vocational programmes have thus become too theoretical with little time for vocational training. Programme contents are also to some extent structured so that they are not sufficiently responsive to the needs of the labour market. In addition students from academic preparatory programmes are not as well prepared for university as they should be. The Government has decided the terms of reference for an Inquiry into upper secondary school reform (ToR 2007:8). The Inquiry Chair is to submit proposals on a future structure for upper secondary school study programmes. There will be three main alternatives, each of which will lead to an upper secondary school diploma.

- an academic preparatory programme leading to general eligibility for university studies,
- a vocational preparatory programme, and
- apprenticeship training.

As a step towards improving school results, the Government intends to propose forceful initiatives for the pedagogical leadership in the school and the preschool. State training for school heads will be improved. A working group in the Ministry of Education and Research has recently presented proposals for a new training programme for school heads.

More responsive to labour market needs

The Government has proposed changes in university entrance requirements. The aim of these changes is to encourage upper secondary school students to choose studies that are important from both the individual and society's perspective and to better meet the needs of the labour market. The decision contains proposals on how in-depth studies in languages and mathematics can be assigned an extra merit rating for admission to higher education.

An Inquiry Chair will conduct an analysis and submit proposals on how postsecondary vocational training can be brought under a common framework named Yrkeshögskolan (the Vocational University College) (ToR. 2007:121). The aim of the Inquiry Chair's proposals is to simplify and make more transparent the system for postsecondary vocational education outside the university and to facilitate the establishment of priorities and resource allocation at the national level. Also behind the decision is the Government's intention to boost the status of vocational training programmes, as well as to ensure the quality of such training by, among other things, securing supervision, follow-up and evaluation. The Government will introduce a pilot project for apprenticeship training in 2008. Upper secondary school programmes have become increasing-

ly homogenous and many programmes with vocational subjects have become too theoretical with too little time for teaching vocational subjects. Changes need to be made to vocational training in order to accelerate the flow through in upper secondary school. Western European countries with vocational training in the form of apprenticeship training have a lower rate of youth unemployment than Sweden has. The pilot project will be well rooted in working life. At least half of the training will be conducted in the workplace. Four thousand new apprenticeship places a year are planned over the next few years. Funding for this measure will total SEK 515 million for three years; of this, SEK 450 million will be compensation for apprenticeship places and SEK 75 million for the training of tutors

The National Agency for Education presented, in the spring of 2007, a report in cooperation with the business community on the possibilities of developing shorter curricula for municipal adult education programmes. The report gives proposals for training in health care, construction and industry.

On 1 July 2007 a new education and qualifications structure for Swedish higher education was introduced. The changes are in line with agreements reached under the Bologna process. The new system of qualifications Swedish higher education has been established in cooperation with the parties concerned, including the social partners, and with a view to student employability in particular. Support in carrying out this work has come from reference groups, in which the public authorities concerned, trade-union representatives, organisations from the business sector and other professional representatives have had considerable scope to influence the description of objectives for professional qualifications.

Professional guidance needs to be improved and developed. The National Agency for Education, in cooperation with the National Labour Market Board, has been asked to develop information for students in compulsory schools about the labour market and the conditions for getting a job in different occupations and sectors of society. The aim is to increase students' awareness of the labour market before their choice of an upper secondary school programme. The Swedish National Agency for School Improvement has been instructed to provide support to selected municipalities and schools to improve the quality of academic and vocational guidance. The experience gained will be used to develop activities in other municipalities and schools.

Study and professional guidance of high quality in higher education is essential to meet the needs of the individual, society and the labour market.

The Government has requested universities and colleges to improve information and guidance on study programmes at academic institutions and on the labour market for various programmes. Academic institutions are to report back to the Government on what has been done in this area in connection with their 2008 annual reports. The Government is prepared to take further measures if it

appears that the stricter requirements for study and professional guidance have not yielded sufficient results.

The Structural Fund and human capital development

One of the four goals of the national Structural Funds Programme for regional competitiveness and employment is to support the development of skills to ensure that those already employed are not at risk of unemployment because they lack the skills that are in demand. Measures to update and develop employed people's skills are part of the Programme. Skills development measures focused on entrepreneurship could be a factor in leading many people to start their own business and could create more jobs in the private, public and social enterprise sector, as well as in enabling existing entrepreneurs to develop their business. Helping young people get established in the labour market is a priority of the national European Structural Funds Programme. With the help of cooperation between various players, young people can be offered the opportunity to learn in working life and create their own network of contacts with potential future employers at an early stage. Cooperation between schools and working life can contribute to the improvement of matching young people's choice of training with the training's actual contents and the skills needed for working life.

Entrepreneurship in an educational context

In 2005 the Government initiated a national entrepreneurship programme. The programme runs from 2005 to 2008 with funding of SEK 120–130 million. In spring 2007 the Government began work on a strategy for entrepreneurship in all areas of education. One important aim for the Government is to get more young people to see entrepreneurship as an equally natural and feasible alternative to employment. It is the Government's view that education needs to expand its role by enabling more young people to unlock their creativity, to develop their capacity to take initiatives and to develop and act on their ideas. Providing young people with insight into what entrepreneurship involves will induce more to start their own business. This requires long-term work.

Appendix 1 Sörmland Regional Council intensifies its efforts to implement the Lisbon Strategy

Sörmland's strategy – our way of combining forces to work for an integrated Lisbon strategy

Positive growth and sustainable development in Sörmland are based on maintaining a dialogue on a broad front in the county. Only if we act together to formulate a vision, targets and strategies and follow up on and learn from the results can we coordinate and benefit from the county's full potential.

The municipalities in Sörmland have formulated targets for sustainable growth that can be summed up in joint development goals. In this way positive growth can be secured through regional planning and contribute to national development and the realisation of the EU's goals for sustainable growth.

The aim of Sörmland's strategy is to clarify how we in the county want to achieve our goals. It will act as a platform for concrete measures for sustainable growth and development. The strategy thus complements the extensive work that has already been done in the form of deciding a vision, policy priorities, overall goals and the selection of indicators for Sörmland. After the strategy has been adopted, a number of action plans will be worked out in cooperation with several players. Stemming from the vision, five main challenges for the county's continued development have been identified. It must be simple to:

- act locally, regionally and globally,
- have access to jobs and labour,
- improve one's knowledge and competence
- cooperate,
- to start and expand a business.

To meet these challenges, seven policy areas have been selected:

- Policies that will strengthen the entire Stockholm region,
- Policies that recognise a new regional municipality which will include all of Sörmland together with Stockholm,
- Policies for future collective traffic and infrastructure,
- Policies for more new and growing companies in Sörmland,
- Policies to secure the commitment of the business sector and academic institutions to social development,
- Policies for better matching in the labour market,
- Policies to improve the level of education of Sörmland's inhabitants.

Measuring success

The basis for Sörmland's strategy is the work that the municipalities and county councils together with the Regional Council have begun on the EU's strategy for growth and jobs. The indicators selected by the players to facilitate the follow-up of regional development are an important part of this work. The indicators are:

- Population growth
- Employment rate
- Employment rate of those not of Nordic origin
- Total wages per inhabitant
- Aggregate growth in sales revenue
- The number of new companies started
- The percentage of the population with a postsecondary education
- Carbon dioxide emissions/base year per inhabitant [excluding Swedish Steel (SSAB)]
- Percentage of cars classed as environmentally friendly.
- Percentage of non-recyclable waste
- Number of people in ill health.

The Regional Council of Sörmland provides help to the municipalities in co-ordinating the statistical work based on the selected indicators. Municipalities in Sörmland have also linked the indicators' established targets to their governance document. This is the way that work to meet the selected challenges is conducted and gains momentum. In its governance document – Sörmland's strategy – the Regional Council has presented the municipalities' work and ambitions. Funding from the EU Structural Funds supports regional and local ambitions and challenges. In this way we involve all levels – EU, national, regional and local.

Political ownership

Oxelösund and Flens municipalities are continuing their work to keep the municipalities' assemblies of representatives informed in order to spread the work at the local level and get politicians in Sörmland even more involved in the work.

At the regional level, the Regional Council is working with the County Council on most development issues, and as a result the work has become an integral part of these organisations.

At the national level the work in Region Sörmland has been noticed in various connections and has been a source of inspiration in other regions' work.

There are regular meetings with the National Board for Youth Affairs to ensure focus on young adults in our work.

At the EU level, Region Sörmland participates in “Evaluation of the regional growth and employment strategy” – work led by the EU Committee of the Regions. Region Sörmland participates actively in the Brussels based network, Lisbon Regions Network.

Projects/activities completed in 2006–2007

- On 7–9 June the Stockholm region together with the Regional Council of Sörmland welcomed the Lisbon Regions Network, a network in which ten different European regions cooperate to show how regions can be involved in the work to achieve the Lisbon strategy’s goals. On 8 June about 150 politicians, officials and representatives from the business and academic communities met at Hedenlunda Castle in Flen to discuss the Lisbon strategy and how to work with it at the local and regional level. The seminar aimed at moving from reacting to initiating action, setting a good example, fostering a greater understanding of the regions’ work and building networks. Both ministers and regional politicians as well as representatives from the business community participated in the seminar.
- A report, “Ung i Sörmland” (Young people in Sörmland) focusing on young people and with the municipalities’ Lisbon indicators as its basis was presented at the Hedenlunda seminar. The report highlighted those selected municipal indicators having a focus on young people. The report also provided a good picture of ongoing projects from a young person’s perspective with the focus on growth and employment, entrepreneurship, health, etc. It is the Regional Council’s ambition to follow up on this report.
- The work to build networks with other politicians in the Mälaren Valley and other parts of Sweden continues.

The work with indicators in the municipalities – examples from Oxelösund and Katrineholm in cooperation with the Sörmland county council

Oxelösund

- *Indicator: number of people in ill health*

Oxelösund has the highest number of people in ill health in any municipality in Sörmland. The municipal assembly of representatives has established targets for reducing the number. The local public health council has been given a decision-making mandate to make decisions that can be implemented immediately in the participating organisations and companies. Discussions are now under way on a project that would involve the municipality of Oxelösund and the largest companies in the municipality (together employing 3 700 people) in identifying what job openings the companies will need to

fill during the next two years. After that, matching work with the long-term unemployed identified by the Swedish Social Insurance Administration will start. People guaranteed employment will be given support in the form of programmes and measures so that they are able to fill one of the job openings that have been identified. The county council in Sörmland is also part of this work.

- *Indicator: carbon dioxide emissions*

SSAB in Oxelösund burns gas produced by its LD process in a torch. This entails substantial emissions of carbon dioxide while surplus energy is not used. The municipal assembly of representatives has established targets for reducing the number. Contacts have been made with players such as Vattenfall to try to find a way to enclose this torch and take advantage of the gas, either as a contribution to district heating or to another commercial production. The discussions will lead up to a preliminary study/EU application about energy saving measures.

- *Indicator: the number of new companies started*

The goal of the municipality of Oxelösund is to help new companies by being regarded as a municipality with a good business climate. Regular company visits, business lunches, evening meetings in various business networks are a few examples. In addition companies have suggested some organisational changes so that each company has only one contact person in the municipality. That person then looks after all municipal government contacts. Thus what companies often perceive to be bureaucratic and complicated then becomes much simpler.

Katrineholm

- *Indicator: transition to higher studies*

In the EU eight key competences have been identified as absolutely necessary to have in order to manage in today's labour market. All Member States have been recommended to work towards the goal that people in their countries will acquire these competences. The eight competences are: communication in the native language of the country; communication in a foreign language; math proficiency and basic scientific and technical competence; digital competence; "Learning to learn"; interpersonal, intercultural and social competence and competence in civics; entrepreneurship and cultural forms of expression. The eight key competences will provide the starting point for the Katrineholm administration's efforts to put forward a new school plan.

Reflections in the course of the past year – ripples on the water

Sörmland is becoming a part of the EU as a whole – with all kinds of contacts and concrete work at various levels:

- The Lisbon strategy is more integrated into the Regional Council's work and there is more awareness of the need to get results.
- The role of politicians is more and more about insisting on results by way of owning, demanding, and pressing on and setting goals.
- This has contributed to a mental trip for officials and politicians who earlier did not regard the EU as a natural part of their work.
- The thread running through “bottom up” to the EU level – how does it all fit together? This has become increasingly clear in the work of the municipalities and the Regional Council.
- Complex problems such as the torch gas in Oxelösund have come into sharper focus through statistics and targets for reducing carbon dioxide emissions.
- The media in Sörmland has become more positive towards the EU. During the seminar at Hedenlunda, some thirty positive articles were written about the EU, the Regional Council, and cooperation at the national and regional level.
- Ordinary people and schools have embraced the strategy and the work in the region and want to have more information.
- There is greater interest at the national level in reaching out to the regional and local level.
- The Government's expressed interest in EU matters has made the process easier.

Appendix 2 Integrated Guidelines

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

Macroeconomic policies for growth and jobs

Guideline n°1

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

Guideline n°2

To safeguard economic and fiscal sustainability as a basis for increased employment, Member States should, in view of the projected costs of ageing populations,

1. undertake a satisfactory pace of government debt reduction to strengthen public finances,
2. reform and re-enforce pension, social insurance and health care systems to ensure that they are financially viable, socially adequate and accessible, and
3. take measures to increase labour market participation and labour supply especially amongst women, young and older workers, and promote a lifecycle approach to work in order to increase hours worked in the economy.

Guideline n°3

To promote a growth, employment orientated and efficient allocation of resources Member States should, without prejudice to guidelines on economic stability and sustainability, re-direct the composition of public expenditure towards growth-

enhancing categories in line with the Lisbon strategy, adapt tax structures to strengthen growth potential, ensure that mechanisms are in place to assess the relationship between public spending and the achievement of policy objectives and ensure the overall coherence of reform packages.

Guideline n°4

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

Guideline n°5

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

Guideline n°6

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

Microeconomic reforms to raise Europe's growth potential

Guideline n°7

To increase and improve investment in R&D, in particular by private business, the overall objective for 2010 of 3% of GDP is confirmed with an adequate split between private and public investment, Member States will define specific intermediate levels. Member States should further develop a mix of measures appropriate to foster R&D, in particular business R&D, through:

1. improved framework conditions and ensuring that companies operate in a sufficiently competitive and attractive environment;
2. more effective and efficient public expenditure on R&D and developing PPPs;
3. developing and strengthening centres of excellence of educational and research institutions in Member States, as well as creating new ones where appropriate, and improving the cooperation and transfer of technologies between public research institute and private enterprises;
4. developing and making better use of incentives to leverage private R&D;
5. modernising the management of research institutions and universities;
6. ensuring a sufficient supply of qualified researchers by attracting more students into scientific, technical and engineering disciplines and enhancing the career development and the European, international as well as inter-sectoral mobility of researchers and development personnel.

Guideline n°8

To facilitate all forms of innovation, Member States should focus on:

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

Guideline n°9

To facilitate the spread and effective use of ICT and build a fully inclusive information society, Member States should:

1. encourage the widespread use of ICT in public services, SMEs and households;
2. fix the necessary framework for the related changes in the organisation of work in the economy;

3. promote a strong European industrial presence in the key segments of ICT;
4. encourage the development of strong ICT and content industries, and well functioning markets;
5. ensure the security of networks and information, as well as convergence and interoperability in order to establish an information area without frontiers;
6. encourage the deployment of broad band networks, including for the poorly served regions, in order to develop the knowledge economy.

Guideline n°10

To strengthen the competitive advantages of its industrial base, Europe needs a solid industrial fabric throughout its territory. The necessary pursuit of a modern and active industrial policy means strengthening the competitive advantages of the industrial base, including by contributing to attractive framework conditions for both manufacturing and services, while ensuring the complementarity of the action at national, transnational and European level. Member States should:

1. start by identifying the added value and competitiveness factors in key industrial sectors, and addressing the challenges of globalisation.
2. also focus on the development of new technologies and markets.
 - a) This implies in particular commitment to promote new technological initiatives based on public-private partnerships and cooperation between Member States, that help tackle genuine market failures.
 - b) This also implies the creation and development of networks of regional or local clusters across the EU with greater involvement of SMEs.

Guideline n°11

To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth, Member States should:

1. give priority to energy efficiency and co-generation, the development of sustainable, including renewable, energies and the rapid spread of environmentally friendly and eco-efficient technologies
 - a) inside the internal market on the one hand particularly in transport and energy, inter alia in order to reduce the vulnerability of the European economy to oil price variations,
 - b) towards the rest of the world on the other hand as a sector with a considerable export potential;
2. promote the development of means of internalisation of external environmental costs and decoupling of economic growth from environmental degradations. The implementation of these priorities should be in line with existing Community legislation and with the actions and instruments proposed in the Environmental Technologies Action Plan (ETAP), inter alia, through a) the use of market-based

instruments, b) risk funds and R&D funding, c) the promotion of sustainable production and consumption patterns including the greening of public procurement, d) paying a particular attention to SMEs and e) a reform of subsidies that have considerable negative effects on the environment and are incompatible with sustainable development, with a view to eliminating them gradually.

3. pursue the objective of halting the loss of biological diversity between now and 2010, in particular by incorporating this requirement into other policies, given the importance of biodiversity for certain economic sectors.
4. continue to fight against climate change, while implementing the Kyoto targets in a cost-effective way, particularly in regard to SMEs.

Guideline n°12

To extend and deepen the Internal Market, Member States should:

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

Guideline n°13

To ensure open and competitive markets inside and outside Europe, reap the benefits of globalisation, Member States should give priority to:

1. the removal of regulatory, trade and other barriers that unduly hinder competition;
2. a more effective enforcement of competition policy;
3. selective screening of markets and regulations by competition and regulatory authorities in order to identify and remove obstacles to competition and market entry;
4. a reduction in State aid that distorts competition;
5. in line with the upcoming Community Framework, a redeployment of aid in favour of support for certain horizontal objectives such as research, innovation and the optimisation of human capital and for well-identified market failures;
6. the promotion of external openness, also in a multilateral context;
7. full implementation of the agreed measures to open up the network industries to competition in order to ensure effective competition in European wide integrated markets. At the same time, the delivery, at affordable prices, of effective services

of general economic interest has an important role to play in a competitive and dynamic economy.

Guideline n°14

To create a more competitive business environment and encourage private initiative through better regulation, Member States should:

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

Guideline n°15

To promote a more entrepreneurial culture and create a supportive environment for SMEs, Member States should:

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

Guideline n°16

To expand, improve and link up European infrastructure and complete priority cross-border projects with the particular aim of achieving a greater integration of national markets within the enlarged EU. Member States should:

1. develop adequate conditions for resource- efficient transport, energy and ICT infrastructures – in priority, those included in the TEN networks – by complementing Community mechanisms, notably including in cross-border sections and peripheral regions, as an essential condition to achieve a successful opening up of the network industries to competition;

2. consider the development of public-private partnerships;
3. consider the case for appropriate infrastructure pricing systems to ensure the efficient use of infrastructures and the development of a sustainable modal balance, emphasizing technology shift and innovation and taking due account of environmental costs and the impact on growth.

Employment Policy

Guideline n°17

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

Guideline n°18

Promote a lifecycle approach to work through: a renewed endeavour to build employment pathways for young people and reduce youth unemployment as called for in the Youth Pact; resolute action to increase female participation and reduce gender gaps in employment, unemployment and pay; better reconciliation of work and private life and the provision of accessible and affordable childcare facilities and care for other dependants; support to active ageing, including appropriate working conditions, improved (occupational) health status and adequate incentives to work and discourage early retirement; modern social protection systems, including pensions and healthcare, ensuring their social adequacy, financial sustainability and responsiveness to changing needs, so as to support participation and better retention in employment and longer working lives.

Guideline n°19

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

Guideline n°20

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

Guideline n°21

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

Guideline n°22

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

Guideline n°23

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

Guideline n°24

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

Appendix 3 Structural indicators; Sweden and EU. 2006

Indicator	SE	EU15	EU27	Among 3 best	Among 3 worst
GBP per capita ¹	120,3	112,2	100		
Labour productivity ²	110,1	110,4	100		
Employment rate ³ , %	73,1	66,0	64,4	x	
males, %	75,5	73,5	71,6		
females, %	70,7	58,6	57,2	x	
older workers ⁴ , %	69,6	45,3	43,5	x	
older males, %	72,3	54,1	52,6	x	
older females, %	66,9	36,8	34,8	x	
Long-term unemployed ⁵ , %	1,1	3,1	3,6	x	
Dispersion of regional employment rates ⁶	3,0	10,9	11,9	x	
males	2,8	7,9	9,7	x	
females	3,5	16,9	16,9	x	
At-risk-of-poverty rate after social transfers ⁷	9	16	16	x	
males	10	15	15	x	
females	12	18	17		
Comparative price levels	117,9	104,9	100		x
Youth education attainment level ⁸ , %	86,5	74,8	77,8		
males	84,5	71,5	74,8		
females	88,6	78,2	80,7		
Business investment	14,7	18,1	18,2		x
R&D expenditure ⁹ , %	3,86	1,91	1,84	x	
Total greenhouse gas emissions ¹⁰	96,4	99,1	92,7		
Energy intensity of the economy ¹¹	204,34	184,85	208,05		
Freight transport ¹²	90,2	104,8	104,6		

Source: Eurostat webb site, Structural Indicators, 15 October 2007

¹ GDP per capita in purchasing power standards (PPS).

² GDP in PPS per person employed.

³ Aged 15 to 64

⁴ Aged 55 to 64

- ⁵ *Unemployed 12 months or more as a percentage of the labour force. Preliminary.*
- ⁶ *Coefficient of variation of employment rates (aged 15–64) across regions (NUTS 2 level) within countries.*
- ⁷ *The share of persons with an equivalised disposable income below the risk-of-poverty threshold (set at 60 per cent of national median equivalised disposable income). For EU*
- ⁸ *Percentage of the population aged 20–24 having completed at least upper secondary school.*
- ⁹ *Percentage of GDP. For EU Eurostat estimate. 2005.*
- ¹⁰ *Indexed on actual base year (1990) = 100 (in CO2-equivalents), 2004.*
- ¹¹ *Gross inland consumption of energy divided by GDP. 2005*
- ¹² *Inland freight transport volume relative to GDP, measures in tonne-km /GDP. 2005*

Appendix 4 Indicators to monitor the employment policy

List of indicators for monitoring⁶

17.M1 Employment rate, Structural indicator

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

Employment rate by age group	Total	Women	Men
15–64	73.1	70.7	75.5
20–64	78.8	75.8	81.7
55–64	69.6	66.9	72.3
15–24	40.3	40.4	40.2
25–54	84.7	81.5	87.8
55–59	79.5	77.4	81.5
60–64	59.3	55.9	62.7
65–69	12.7	9.4	16.1

Source: Labour Force Survey, Eurostat.

17.M2 Employment growth, Structural indicator

Annual percentage change in employed population, overall and by main sector.

Employment growth	Total	Women	Men
Total	1.8	1.4	2.1
Agriculture (2003)	-1.4		
Industry (2003)	-2.1		
Services (2003)	0.4		

Source: Labour Force Survey and Quarterly Labour Force Data⁷, Eurostat.

⁶ If nothing else is stated all figures are yearly averages for 2006. The indicators 21.M1is not included due to non-applicable data.

⁷ Quarterly Labour Force Data are comparable estimates based on the Labour Force Survey and ESA-95.

17.M3 Unemployment rate, Structural indicator

Unemployed persons as a share of the active population in the same age group, per cent.

Unemployment rate by age group	Total	Women	Men
15–74	7.1	7.3	6.9
20–64	6.1	6.0	6.1
55–64	4.4	3.8	4.9
15–24	21.5	22.0	21.0
25–54	5.3	5.5	5.2
55–59	4.1	3.7	4.5
60–64	4.7	4.0	5.3

Note: Harmonised unemployment rate.

Source: Labour Force Survey, Eurostat.

17.M4 Activity rate

Share of employed and unemployed as a proportion of total population in the same age group, per cent.

Activity rate by age group	Total	Women	Men
15–64	78.8	76.3	81.2
20–64	83.9	80.7	87.0
55–64	72.8	69.6	76.0
15–24	51.3	51.9	50.8
25–54	89.4	86.3	92.5
55–59	82.9	80.4	85.4
60–64	62.2	58.2	66.2
65–69	13.1	9.8	16.5

Source: Labour Force Survey, Eurostat.

17.M5 Growth in labour productivity

Growth in GDP per person employed and per hour worked, per cent.

Labour productivity	Total
Per person employed	2.4
Per hour worked	2.7

Source: European Commission.

17.M6 Regional disparities – underperforming regions

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

2. Differential between average employment/unemployment of the underperforming regions and the national average in relation to the national average of employment/unemployment, NUTS II.

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

Regional disparities – underperforming regions (2005)	Total
<i>Underperforming regions</i>	
- Employment	0/8
- Unemployment	0/8
<i>Share of workforce living in underperforming regions, %</i>	
- Employment	0/0
- Unemployment	0/0

Source: Labour Force Survey, Eurostat.

18.M1 Youth unemployment ratio

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

	Total	Women	Men
Youth unemployment ratio	11.0	11.4	10.7

Source: Quarterly Labour Force Data.

18.M2 Gender pay gap, Structural indicator

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

Gender pay gap	Total
<i>Unadjusted</i>	
- Total	84
- Private sector	86
- Public sector	84
<i>Adjusted⁸</i>	
- Total	93
- Private sector	92
- Public sector	97

Source: The National Mediation Office and Statistics Sweden.

⁸ Differences between men and women in age, education, working hours, sector and occupational group are taken into consideration.

18.M2 Gender pay gap

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

Gender pay gap (2001)	Total
<i>Age group</i>	
- 16–24	7
- 25–54	18
- 55–64	21
<i>Educational attainment⁹</i>	
- Low	14
- Medium	16
- High	24

Source: European Community Household Panel, Eurostat.

18.M3 Childcare

Children cared for (by formal arrangements¹⁰ other than by the family) less than 30 hours a usual week/30 hours a usual week/30 hours or more a usual week as a proportion of all children of same age group. Breakdown by children aged under 3 (0–2 years), children aged between 3 years and admission age for compulsory school and age for compulsory school and 12 years, per cent.

Childcare (2005)	1–29 h	30– h
0–2 years	22	31
3 years to compulsory school age	35	52
Compulsory school age–12 years	1	95

Source: Eurostat.

Childcare (2005)

Number of months of maternity/paternity/parental leave with benefits replacing at least 2/3 of salary	16
Admission age for compulsory education	7

Source: Eurostat.

⁹ Low=Less than upper secondary education; Medium= Upper secondary education completed; High=Upper tertiary education completed.

¹⁰ Formal arrangements refer to the EU-SILC survey reply categories 1–4 (pre-school or equivalent, compulsory education, centre-based services outside school hours, a collective crèche or another day-care centre, including family day-care organised/controlled by a public or private structure).

18.M4 Average exit age from the labour force, Structural indicator

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

	Total	Women	Men
Average exit age from the labour force (2005)	63.7p	63.0p	64.3p

Note: p = provisional.

Source: Labour Force Survey, Eurostat.

19.M1 Long-term unemployment rate

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

	Total	Women	Men
Long-term unemployment rate	1.1	0.9	1.2

Source: Labour Force Survey, Eurostat.

19.M2 Preventative services

Share of young people/adult becoming unemployed in month X, still unemployed in month X+6/12, and not having been offered an action plan¹¹, per cent.

Preventative service ¹²	Total	Women	Men
Young people	2.4	1.9	2.8
Adults	2.8	2.4	3.2

Source: The National Labour Market Board (AMS).

19.M3 New start

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

New start ¹³	Total	Women	Men
Young people	2.9	2.5	3.3
Adults	8.8	7.8	9.9

Source: The National Labour Market Board (AMS).

¹¹ Action plan is the only service included in intensive counselling and job-search assistance, LMP category 1, for Sweden.

¹² Young people refer to men and women until the age of 24, adults refer to men and women in the age 25 and older.

¹³ New start refers to training, retraining, work experience, a job or other employability measure.

19.M4 Activation of long-term unemployed

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

Activation of LTU ¹⁴	Total	Women	Men
<i>All</i>	64.9	63.9	65.7
<i>Broken down by type of measure</i>			
- Training	14.1	15.1	13.3
- Employment incentives	45.6	43.9	46.9
- Supported employment and rehabilitation	4.3	3.9	4.5
- Start-up incentives	0.9	0.9	0.9

Source: The National Labour Market Board (AMS).

19.M5 Labour market gaps for disadvantaged groups

Gaps on the labour market for disadvantaged groups¹⁵ according to national definitions.

Size of group in relation to the population, %	Total	Women	Men
<i>Persons born outside Sweden</i>			
- Total	15.3	16.1	14.4
- Within EU27/EEA	5.6	6.2	4.9
- Outside EU27/EEA	9.7	9.9	9.5
<i>Disabled persons</i>			
- Total	15.7	16.8	14.7
- With reduced ability to work	9.5	10.9	8.2

Source: Labour Force Survey, Statistics Sweden.

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

¹⁴ Long-term registered unemployed (LTU) refers to persons that have been unemployed for more than 12 months.

¹⁵ Disadvantaged groups are defined as persons born abroad and people with disabilities. The estimates on the differences between persons born abroad and the whole population are weighted in a different way than the estimates of the levels. This implies that the differences presented here differ somewhat from the difference received when subtracting the level for person born abroad from the level of the whole population.

Difference in labour force participation rate	Total	Women	Men
<i>Persons born outside Sweden</i>			
- Total	-9.1	-11.0	-7.0
- Within EU27/EEA	-2.0	-2.5	-0.9
- Outside EU27/EEA	-13.3	-16.3	-10.1
<i>Disabled persons</i>			
- Total	-11.1	-11.3	-10.4
- With reduced ability to work	-21.6	-20.8	-21.8

Source: Labour Force Survey, Statistics Sweden.

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

Difference in employment rate	Total	Women	Men
<i>Persons born outside Sweden</i>			
- Total	-12.2	-13.5	-10.4
- Within EU27/EEA	-2.2	-3.0	-0.6
- Outside EU27/EEA	-17.9	-20.1	-15.5
<i>Disabled persons</i>			
- Total	-11.8	-11.9	-11.2
- With reduced ability to work	-23.0	-22.3	-23.0

Source: Labour Force Survey, Statistics Sweden.

19.M5 Unemployment rate gaps for people at a disadvantage

Difference in unemployment rates for disadvantaged groups¹⁶ (according to national definitions) and the overall unemployment rate, in percentage points.

Difference in unemployment rate	Total	Women	Men
<i>Persons born outside Sweden</i>			
- Total	5.0	4.8	5.2
- Within EU27/EEA	0.3	1.0	-0.3
- Outside EU27/EEA	8.1	7.8	8.4
<i>Disabled persons</i>			
- Total	1.7	1.6	1.8
- With reduced ability to work	4.2	4.5	3.9

Source: Labour Force Survey, Statistics Sweden.

¹⁶ Disadvantaged groups are defined as persons born abroad and people with disabilities. The estimates on the differences between persons born abroad and the whole population are weighted in a different way than the estimates of the levels. This implies that the differences presented here differ somewhat from the difference received when subtracting the level for person born abroad from the level of the whole population.

19.M5 Unemployment rate gap between non-EU and EU nationals

Unemployment rate gap between non-EU₂₇ and EU₂₇ nationals, in percentage points.

	Total	Women	Men
Unemployment rate gap	-11.0	-8.4	-13.0

Source: Labour Force Survey, Statistics Sweden.

19.M6 Tax rate on low wage earners: Low-wage trap, Structural indicator

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

Poverty (low wage) trap (2004)	Total
One earner couple with two children	93.0
Single person with no children	58.0

Source: OECD and Eurostat.

19.M7 Unemployment trap, Structural indicator

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

	Total
Unemployment trap (2004)	87.0

Source: Eurostat.

21.M2 Diversity and reasons for contractual and working arrangements

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

Contractual and working arrangements	Total	Women	Men
Non-standard employment	37.4	52.1	22.8
Part-time	19.5	32.2	7.0
- Involuntary part-time	3.8	6.3	1.4
Fixed-term employment	8.6	7.8	9.4
- Involuntary fixed-term employment	5.2	5.2	5.1
Self-employed	10.4	5.5	14.8

Source: Labour Force Survey, Eurostat.

21.M3 Accidents at work, Structural indicator

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

Trends in accidents at work	Women	Men
2002	6.8	10.0
2003	6.7	9.5
2004	6.5	8.9
2005	6.5	8.8
2006	6.5	8.4

Source: The Work Environment Authority and Statistics Sweden.

22.M1 Unit labour cost growth, Structural indicator

Growth rate of the ratio: compensation per employee in current prices divided by GDP (in current prices) per total employment.

	Total
Real unit labour costs	-2.1

Source: Eurostat, Structural indicators.

22.M2 Taxation on low-wage earners, Structural indicator

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

	Total
Taxation on low-wage earners (2005)	46.5

Source: Eurostat.

23.M1 Spending on human resources, Structural indicator

Total public expenditure on education as a percentage of GDP.¹⁷

	Total
Investment in human resources (2003)	7.5

Source: Joint UNESCO/OECD/Eurostat questionnaire.

23.M2 Youth educational attainment level

Percentage of the population aged 20–24 having completed at least upper secondary education (ISCED level 3 long).

	Total	Women	Men
Youth educational attainment level	86.5	88.6	84.5

Source: Labour Force Survey, Spring data, Eurostat.

23.M3 Early school leavers, Structural indicator

Percentage of the population aged 18–24 with at most lower secondary education (ISCED level 2) and not in further education or training, per cent.

	Total	Women	Men
Rate of early-school-leaving	12.0	10.7	13.3

Source: Labour Force Survey, Eurostat

¹⁷ The demographic structure should be taken into account in the analysis.

23.M4 Life-long learning, Structural indicator

Participation of the adult population aged 25–64 participating in education and training (over the four weeks prior to the survey), total, by age group, working status and educational attainment, per cent.

Participation in education and training	Total	Women	Men
Age group			
- 25–64	32.1	36.5	27.9
- 25–34	36.8	39.2	34.4
- 35–44	32.9	37.7	28.2
- 45–54	31.2	36.8	25.8
- 55–64	26.7	31.4	22.3
Working status (25–64)			
- Employed	31.3	35.9	27.0
- Unemployed	28.3	32.1	25.3
- Inactive	42.8	43.1	42.3
Educational attainment ¹⁸ (25–64)			
- Low	18.3	21.7	16.0
- Medium	28.5	32.0	25.5
- High	45.7	48.7	41.7

Source: Labour Force Survey, Spring data, Eurostat.

List of indicators for analysis¹⁹

17.A1 Employment rate in full-time equivalent

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

Employment rate in full-time equivalent	Total	Women	Men
15–64	66.6	61.0	72.4

Source: Labour Force Survey, Spring data, Eurostat.

¹⁸ Low=Less than upper secondary education; Medium=Upper secondary education completed; High=Upper tertiary education completed.

¹⁹ If nothing else is stated all figures are yearly averages for 2006. The indicators 18.A6, 19.A3, 19.A5 and 20.A1 are not included due to non-applicable data.

17.A2 Real GDP growth, Structural indicator

	Total
Annual average of GDP growth, %	4.2

Source: Eurostat structural indicators.

17.A3 Labour supply growth

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

	Total	Women	Men
Labour supply growth	1.0	0.9	1.2

Source: Quarterly Labour Force Data, Eurostat.

17.A4 Transition by employment status

Average transition between employment, unemployment and inactive from quarter 4 year 2005, quarter 1, 2 and 3 year 2006 to the next quarter, i.e. quarter 1, 2, 3 and 4 year 2006, per cent.

Total	Status at 2006			
	Employed	Unemployed	Inactive	Total
Status at 2005				
Employed	96.1	1.3	2.6	100.0
Unemployed	32.1	46.8	21.1	100.0
Inactive	10.2	5.5	84.3	100.0

Women	Status at 2006			
	Employed	Unemployed	Inactive	Total
Status at 2005				
Employed	95.8	1.2	3.0	100.0
Unemployed	31.7	44.9	23.4	100.0
Inactive	10.0	5.1	84.9	100.0

Men	Status at 2006			
	Employed	Unemployed	Inactive	Total
Status at 2005				
Employed	96.4	1.4	2.2	100.0
Unemployed	32.5	48.6	18.9	100.0
Inactive	10.3	6.0	83.7	100.0

Source: Labour Force Survey, Statistics Sweden.

17.A5 Dispersion of regional employment and unemployment rates, Structural indicator

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

Regional disparities (2005)	Total	Women	Men
Employment	3.0	3.5	2.8
Unemployment			
- Nuts II	12.5		
- Nuts III	15.6		

Source: Labour Force Survey, Eurostat.

18.A1 Employment gender gap

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

	Total
Employment gender gap	4.8

Source: Quarterly Labour Force Data, Eurostat.

18.A1 Employment gender gap

The difference in employment rates between men and women in percentage points, by age group and by educational level.

Employment gender gap	Total
Age group	
- 15–24	-0.2
- 25–54	6.3
- 55–64	5.4
Educational attainment ²⁰ (2005)	
- Low	10.4
- Medium	5.7
- High	1.0

Source: Labour Force Survey, Eurostat.

²⁰ Low=Less than upper secondary education; Medium= Upper secondary education completed; High=Upper tertiary education completed.

18.A2 Employment gender gap in full-time equivalent

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

	Total
Employment gender gap in full-time equivalent	11.4

Source: Labour Force Survey, Spring data, Eurostat

18.A3 Unemployment gender gap

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

	Total
Unemployment gender gap	0.2

Source: Harmonised unemployment series.

18.A4 Gender segregation

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

Gender segregation	Total
In occupations	26.8
In sectors	21.6

Source: Labour Force Survey, Spring data, Eurostat.

18.A5 Employment impact of parenthood

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

Employment impact of parenthood	Total	Women	Men
With children	84.4	77.1	92.0
Without children	79.8	78.3	81.2
Difference in percentage points	4.6	-1.2	10.8

Source: Labour Force Survey, Statistics Sweden.

18.A7 Care of dependent elderly

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

Lack of care services for dependant adults (2005)	Women	Men
Public assistance	6	2
Assistance from household member	9	5
Assistance from other family/friends	7	3

Source: Living Conditions Survey 2005 (ULF), Statistics Sweden.

18.A8 Transition by pay level

Transition between non-employment and employment and within employment by pay level from year 2004 to year 2005, per cent.

Total	Status 2005						
	Status 2004	1st decile	2nd decile	3rd decile	4th–10th decile	Non-empl.	Total
1st decile		39.7	17.6	7.9	10.0	24.8	100.0
2nd decile		12.3	37.4	16.4	19.4	14.6	100.0
3rd decile		4.5	14.5	42.5	30.3	8.3	100.0
4th–10th decile		0.8	1.9	3.7	90.8	2.6	100.0
Non-employment		9.6	4.4	2.0	2.5	81.5	100.0

Women	Status 2005						
	Status 2004	1st decile	2nd decile	3rd decile	4th–10th decile	Non-empl.	Total
1st decile		37.5	17.4	8.3	11.2	25.6	100.0
2nd decile		11.3	35.9	16.2	21.1	15.5	100.0
3rd decile		4.9	13.9	37.6	34.1	9.4	100.0
4th–10th decile		1.0	2.3	4.3	89.4	3.0	100.0
Non-employment		9.3	4.1	2.0	3.0	81.7	100.0

Men	Status 2005						
	Status 2004	1st decile	2nd decile	3rd decile	4th–10th decile	Non-empl.	Total
1st decile		41.4	19.0	7.6	8.0	24.0	100.0
2nd decile		12.3	37.1	17.3	19.2	14.1	100.0
3rd decile		3.5	12.9	43.7	32.2	7.7	100.0
4th–10th decile		0.7	1.7	3.5	91.9	2.2	100.0
Non-employment		10.2	5.0	1.7	1.7	81.3	100.0

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

19.A1 Inflow into long-term unemployment

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

Inflow into LTU ²¹	Total	Women	Men
Young people	4.6	4.0	5.2
Adult	10.3	9.0	11.5

Source: The National Labour Market Board (AMS).

19.A2 Activation

Number of participants in LMP measures (training, retraining, work experience or other employability measure)/in assisted activation programmes divided by the number of persons wanting to work (LFS unemployed plus labour reserve), per 100 persons wanting to work.

Regular activation (2004)	51.9
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Source: LMP-database, European Labour Force Survey, Eurostat.

19.A6 Follow-up of participants in active measures

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

Inflow into employment	Total	Women	Men
Total	40.1 (43.8)	39.5 (42.6)	40.6 (44.9)
Broken down by measure ²²			
- Training ²³	32.9 (38.1)	30.2 (34.6)	35.0 (40.8)
thereof employment training	71.9 (70.4)	69.6 (68.0)	73.1 (71.7)
- Employment incentives ²⁴	42.4 (45.3)	42.9 (45.2)	41.9 (45.3)
- Supported employment and rehabilitation ²⁵	37.2 (40.5)	33.7 (37.3)	40.8 (43.8)
- Start-up incentives	81.6 (81.9)	81.5 (81.7)	81.7 (82.0)

Source: The National Labour Market Board (AMS).

²¹ Young people refer to men and women until the age of 24, adults refer to men and women in the age 25 and older.

²² Breakdown based on the categories in the LMP database (Eurostat).

²³ International practice scholarship, computer/activity centres, activities within counselling guidance and placement service, projects with employment policy orientation, in-depth assessment and counselling guidance, employment training, preparatory training courses.

²⁴ Employment development programme, wage subsidy, trainee positions for unemployed graduates, general recruitment incentive, extended recruitment incentive, special recruitment incentive, plus jobs, trainee replacement scheme, work experience, trial opportunity, municipal youth programme (youths under age 20), youth guarantee (youths aged 20–24).

²⁵ Sheltered employment, public sheltered employment, employability rehabilitation programme. The remaining participants in these measures have been used as denominator instead of the number that left the measure.

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

Inflow into unemployment	Total	Women	Men
Total	22.6 (18.2)	21.8 (17.2)	23.3 (19.0)
Broken down by measure ²⁶			
- Training ²⁷	21.0 (17.5)	20.9 (17.0)	21.0 (17.9)
thereof employment training	14.9 (14.1)	14.3 (13.1)	15.2 (14.6)
- Employment incentives ²⁸	27.1 (20.8)	25.8 (19.5)	28.1 (21.9)
- Supported employment and rehabilitation ²⁹	23.8 (20.2)	24.5 (20.5)	23.1 (19.9)
- Start-up incentives	8.3 (7.0)	8.2 (6.7)	8.4 (7.2)

Source: The National Labour Market Board (AMS).

19.A7 LMP expenditure

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

Active and passive	Active	Passive	Total
Expenditures as % of GDP	1.2	1.0	2.1

Source: The National Labour Market Board (AMS).

19.A8 LMP expenditure per person wanting to work

Expenditure on LMP divided by the number of persons wanting to work (LFS unemployed plus labour reserve).

Expenditure on LMP (2005)

LMP services (category 1)	0.61
LMP measures (categories 2–7)	3.66
LMP supports (categories 8–9)	3.10
Total LMP expenditure	8.27

Note: Expenditure are expressed in PPS in order to eliminate price differentials.

Source: LMP database, Eurostat.

²⁶ Breakdown based on the categories in the LMP database (Eurostat).

²⁷ International practice scholarship, computer/activity centres, activities within counselling guidance and placement service, projects with employment policy orientation, in-depth assessment and counselling guidance, employment training, preparatory training courses.

²⁸ Employment development programme, wage subsidy, trainee positions for unemployed graduates, general recruitment incentive, extended recruitment incentive, special recruitment incentive, plus jobs, trainee replacement scheme, work experience, trial opportunity, municipal youth programme (youths under age 20), youth guarantee (youths aged 20–24).

²⁹ Sheltered employment, public sheltered employment, employability rehabilitation programme. The remaining participants in these measures have been used as denominator instead of the number that left the measure.

19.A9 Labour reserve

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

	Total	Women	Men
Labour reserve ³⁰	5.4	5.6	5.1

Source: European Labour Force Survey, Spring Data, Eurostat.

19.A10 In-work-poverty risk

Individuals who are classified as employed³¹ and who are at risk of poverty³² as a per cent of working population.

	Total	Women	Men
In-work-poverty risk (2005)	5	5	6

Source: European Community Household Panel (ECHP), Eurostat.

19.A11 Employment rate in services

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

	Total	Women	Men
Employment rate in services	55.5	63.4	47.8

Source: Labour Force Survey, Eurostat.

20.A2 Vacancies per unemployed

Ratio between the total number of the stock of vacancies compared to the total number of unemployed (v/u ratio).

	Total
Vacancies per unemployed	143

Source: Eurostat.

³⁰ The labour reserve is here defined as persons who want to work but are not in the labour force, for example due to studying, early retirement, housekeeping, military service or for other reasons.

³¹ Distinguishing between “wage and salary employment plus self-employment” and “wage and salary employment” only.

³² Whose equalised disposable income is below 60 per cent of national median equalised disposable income.

21.A1 Undeclared work

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

Undeclared work	Total	Men	Women
Share of persons who have performed illicit work during the year (2001)	6	8	3
The black sector as a share of GDP (2004)	6.5		

Source: Tax Statistical yearbook of Sweden 2005 and 2006.

21.A2 Working time

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

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

Working time	Total	Women	Men
<i>Weekly average</i>			
2001	39.9	39.6	40.1
2002	39.9	39.6	40.1
2003	39.8	39.6	40.0
2004	39.9	39.6	40.0
2005	39.9	39.8	39.9
2006	39.9	39.8	39.9
<i>Annual average</i>			
2001	1603		
2002	1580		
2003	1562		
2004	1585		
2005	1588		
2006	1582		

Source: Labour Force Survey, Eurostat.

21.A3 Hours of overtime work

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

	Total	Women	Men
Hours of overtime work	11.7	9.2	14.3

Source: Labour Force Survey, Spring data, Eurostat.

21.A4 Occupational diseases

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

Trends in occupational diseases	Women	Men
2003	7.0	5.1
2004	5.7	4.2
2005	4.6	3.7
2006	3.8	2.8

Source: The Work Environment Authority and Statistics Sweden.

21.A5 Employment in newly established enterprises

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

Employment in newly established enterprises	2001	2002	2003
Total	1.62	1.61	1.62
Industry	0.44	0.47	0.50
Construction	2.12	1.97	2.01
Services	2.16	2.14	2.11

Source: Structural Business Statistics, Eurostat.

22.A1 Labour productivity, Structural indicator

Gross domestic product (GDP) divided by number of persons employed and hours worked (GDP in PPS per person employed/per hour worked relative to EU25 average/EU15 average), per cent.

Labour productivity	Total
Per person employed	104.8f
Per hour worked (2004)	102.1

Note: f = forecast.

Source: Eurostat.

22.A2 Implicit tax rate on employed labour

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

	Total
Implicit tax rate on employed labour (2004)	41.7f

Note: f = forecast.

Source: Commission.

23.A1 Investments by enterprises in training of adults

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

	Total
Investments by enterprises in training of adults (1999)	1.3

Source: Continuous Vocational Training Statistics (CVTS), Eurostat.

23.A2 Participation in CVT

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

	Total	Women	Men
Participation in CVT (1999)	61	61	60

Source: Continuous Vocational Training Statistics (CVTS), Eurostat.





In March 2005 the European Council relaunched the Lisbon strategy, with an increased focus on growth and jobs. The strategy respond to the main challenges that lie ahead, such as globalisation and the ageing population and focus on reforms to promote competitiveness and economic growth as well as more and better jobs within the overriding target of sustainable development.

With the aim of strengthening the implementation of the strategy at national level the European Council called upon the Member States to present National Reform Programs for growth and jobs. In November 2006 the Government presented The Swedish Reform Program for 2006 to 2008, which lays the basis for long-term sustainable economic development, creates scope for increased welfare and meets future challenges. The Swedish Progress Report 2007, presented as a Government communication to the Riksdag (Skr 2007/08:23), describes the next step in the Government's policy to implement the Lisbon strategy.

An electronic version of the publication is available on the Swedish Government webb-side www.sweden.gov.se.

The publication can also be ordered from EU Coordination Secretariat, Prime Minister's Office, SE-103 33 Stockholm or by telephone +46-8-405 51 30.



REGERINGSKANSLIET

Prime Minister's Office

SE-103 33 Stockholm, Sweden