



# Future Challenges for Sweden

FINAL REPORT OF THE COMMISSION ON THE FUTURE OF SWEDEN



REGERINGSKANSLIET

Prime Minister's Office  
Sweden

Translation of Ds 2013:19





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# Future Challenges Facing Sweden

*– Final Report of the Commission on the Future of Sweden*

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**Government Offices  
of Sweden**  
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Cover: Blomquist Annonbyrå.  
Cover art: Children playing at Sommarland in Leksand.  
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# Preface

Forty years ago, Sweden was in many ways a very different country to what it is today. In 1970, Swedish Television began broadcasting its programmes in colour across the country and the Riksdag approved a government bill shortening normal working time to 40 hours a week. The freedom to choose a school for one's children was only open to a privileged few and the only telephone provider in the market was the state-owned company Televerket. In the years that followed, Sweden saw the age of majority reduced from 20 to 18, the prohibition of corporal punishment, the introduction of the parental benefit scheme, and the declassification of homosexuality as a medical condition. Europe was divided and largely defined by the Cold War between the West and the communist Eastern bloc.

That era now seems a distant memory. Sweden and the world have experienced major changes, particularly with respect to population growth, technology, globalisation, welfare, freedom of choice, communication and attitudes towards the environment. What does this tell us about the next 40 years? What kind of country will we and our children be living in in 2050? What challenges lie ahead for Swedish society?

Most people's lives revolve mainly around everyday issues, things that need to be dealt with in the present – today or tomorrow. But how will our everyday lives be affected in the long term? What processes impact on us as a society and the world we live in?

If we are to face the future fully equipped, we must raise our sights. In order to identify the challenges facing Sweden in the longer term, up to 2020 and 2050, the Government appointed the Commission on the Future of Sweden (*Framtidskommissionen*) in the autumn of 2011. Over a period of a year and a half the Commission has spoken with and listened to people across the

country. Some 40 seminars, countless exchanges through personal meetings and on social media, and projects involving hundreds of upper-secondary school pupils as well as municipalities from Trelleborg to Arjeplog, have given people an opportunity to discuss, to debate and to put forward informed, perceptive ideas about their own and Sweden's future.

This book sets out the Commission's final report. Particular attention is focused on challenges relating to sustainable growth, demographic development, labour market integration, democracy, gender equality and social cohesion. However, the report is far from exhaustive. It does not offer proposals on how future challenges are to be met. Indeed, this was not its aim. Rather it identifies a series of challenges that Sweden may in due course be confronted with. It may therefore be seen as an important step in the ongoing work of shaping a policy for a future Sweden.

The members of the Commission have themselves contributed valuable viewpoints and perspectives. We would like to thank Viveca Ax:son Johnson, Chair of the Board of Nordstjernan, Klas Eklund, economist and professor, Helena Jonsson, Chair of the National Board of Directors of the Federation of Swedish Farmers (*Lantbrukarnas Riksförbund – LRF*), Pekka Mellergård, senior lecturer in neurosurgery and senior physician, Eva Nordmark, Chair of the Executive Committee of the Swedish Confederation for Professional Employees (*Tjänstemännens Centralorganisation – TCO*), Johan Rockström, professor and Head of the Stockholm Resilience Centre, Mernosh Saatchi, CEO of Humblestorm, Lars Trägårdh, professor at the Ersta Sköndal Institute of Higher Education, and Stina Westerberg, Director-General of Music Development and Heritage Sweden (*Statens musikverk*), for many interesting exchanges and discussions. In addition, our thanks go to all those who have taken part in this project and who have shared their visions for the future.

We are also grateful to the Commission Secretariat, in particular Special Advisers Mårten Blix, Petter Hojem, Patrick Joyce and Charlotta Levay, who respectively drafted the interim reports on demography, on sustainable development, on integration, participation and gender equality, and on social justice and cohesion. Finally, we would like to thank Professor Jesper Strömbäck, the Commission's Administrative Director and Principal Secretary, who has done an admirable job of keeping the entire project together. Jesper Strömbäck also drafted the final

report, in consultation with us. Although we, the undersigned, are ultimately responsible for the report, we would like to thank Jesper Strömbäck for having so successfully captured the future challenges identified by the Commission.

A final report is by its nature definitive, and the present one is no exception. It marks the conclusion of the Commission's work. However, we hope that it will also herald the start of a public conversation about the kind of Sweden we would like to have in the future – and how best to realise that vision. We will take up the challenges identified by the Commission in the course of our continuing efforts to develop policies for Sweden, and we hope that its work will have encouraged the kind of public debate and discussion that Sweden needs. We will continue to pursue these issues in the policy arena. However, it is essential that the conversation also be conducted and developed in school classrooms, around the kitchen table, at the workplace, in company boardrooms, within local government and government agencies, in civil society, and in many other forums.

Stockholm, March 2013

Fredrik Reinfeldt, Prime Minister  
and Chair of the Commission on the Future

Jan Björklund, Minister for Education and Deputy Prime Minister

Annie Lööf, Minister for Enterprise and Regional Affairs

Göran Hägglund, Minister for Health and Social Affairs





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1

# Setting our sights on the future





# 1 Setting our sights on the future

“All I really ask of the future is that it’ll be a long time coming.”

Anonymous upper-secondary pupil, aged 18. From the Future Sweden project

## Introduction

As author and comedian Tage Danielsson asserted in one of his many telling metaphors: “If you refuse to look back, and dare not look forward, you’ll have to look out.”<sup>1</sup> What this highlights is the truth that both historical and future-oriented analyses play a prominent part in understanding where Sweden is today, the factors that have made it what it is, and where it is going.

Sweden is in many ways a good country to live in and we rank highly in various international comparisons. However, past triumphs are no guarantee of future success. Both Sweden and the world face major future challenges in a range of areas; they are constantly changing through dynamic and complex processes against a background of intense global competition. If Sweden is to remain successful in the future and become an even better country to live and work in, it must be able to meet a number of major requirements, in particular in terms of an active analysis of the processes of change and the challenges these pose. Ultimately, it is as much a matter of not taking Sweden’s successes for granted as of meeting these challenges.

In light of these considerations, the Government appointed the Commission on the Future of Sweden in November 2011. Its remit was to identify the longer-term challenges facing Sweden. Particular attention was focused on four main areas: (1) demographic development, (2) sustainable growth, (3) integration,

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<sup>1</sup> Cited in Alm & Palme, 2008, p. 6.

gender equality and participation, and (4) social justice and cohesion. Each area was the subject of a special interim report.

It is hoped that identifying some of Sweden's long-term challenges will contribute to a more future-oriented public debate, and enable the Government, the Riksdag and other sectors of society to arrive at decisions at an early stage and thus ensure that Sweden can deal with its challenges in the best possible way.

As part of its efforts to identify challenges facing Sweden in the future, the Commission held eight meetings of its own, organised 40 open meetings, seminars and workshops around the country, published 12 background reports and an anthology of debates and discussions, and produced four interim reports (see below). In addition, members of the Commission and its Secretariat took part in an extended series of other seminars and meetings with government agencies, NGOs, companies and individual researchers. As part of a special sub-project – Future Sweden (*Framtidens Sverige*) – the Commission invited all the country's municipalities, county councils and regions, as well as a selection of upper-secondary school classes around the country, to send in their ideas and visions for the future. These were posted on [framtidenssverige.se](http://framtidenssverige.se). The Commission also staged a blog relay, and opened its website, [framtidskommissionen.se](http://framtidskommissionen.se), to guest writers. It was also active on selected social media. The aim of all these activities was to make the process as open and inviting as possible, and to contribute to a more future-oriented debate in different parts of the country.

This final report aims to provide a broad account – based on the work outlined above – of a selection of future challenges facing Sweden in the periods leading up to 2020 and 2050.

## The Commission's remit

Sweden faces a number of future challenges in a range of areas. One such area is globalisation. The work undertaken by the Globalisation Council some years ago led to a discussion about Sweden's ability to hold its own in an increasingly global world characterised by ever intensifying competition. The Globalisation Council helped raise a number of important questions and highlight areas where Sweden might need continued reform to



meet future needs.<sup>2</sup> In the final analysis, it is a question of how we can ensure continued high employment, stimulate high productivity growth, strengthen the competitiveness of the Swedish business sector and promote long-term sustainable growth in an increasingly globalised world.

As globalisation continues, the world economic and political balance is changing. US dominance of global economic and political affairs is declining as China grows stronger economically and politically, along with the other BRICS countries, Brazil, Russia, India and South Africa. Many other African countries besides South Africa are also recording high growth rates. Meanwhile, Europe and the EU are beset by economic and political problems and challenges related to the financial crisis and its aftermath. A global shift in influence is taking place: from the North and West, to the South and East. At the same time, the world is growing increasingly multipolar.<sup>3</sup>

To this must be added the ever-increasing impact of human activity on our environment, our ecosystems and our climate. Seen from a global perspective, there can be no doubt that humankind is living beyond the Earth's carrying capacity in many respects, and that current development is unsustainable in the longer term.<sup>4</sup> Experts are also in virtually unanimous agreement that humans have contributed to the rise in average global temperature, and that global warming is one of the major challenges ahead.<sup>5</sup> These climate changes, coupled with shortages of clean water, food and energy, poverty, lack of freedom and pandemics are global challenges which Sweden is also affected by and can affect in turn.<sup>6</sup>

However, the challenges facing Sweden are not exclusively global; we must also meet challenges at national level. Foremost among these are issues relating to demography, integration, social cohesion, and democracy and participation.

Demographic development is essentially about more people living longer. In 2012, Sweden's population exceeded 9.5 million for the first time. Almost 1.8 million people were over 65 years old. Between 2001 and 2011 alone, the number of residents aged over

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<sup>2</sup> Swedish Government Ministry Publication Series, Ds 2009:21; see also Braunerhjelm et al., 2009.

<sup>3</sup> Braunerhjelm et al., 2009; Eklund, 2011b, 2013; Zakaria, 2011; Randers, 2012; NIC, 2012.

<sup>4</sup> Jackson, 2009; Stern, 2009; Rockström, 2013; World Bank, 2012.

<sup>5</sup> Eklund, 2009; Stern, 2009; Wijkman & Rockström, 2011; Randers, 2012; Farnsworth & Lichter, 2012.

<sup>6</sup> NIC, 2012.

65 grew by approximately 250 000. It is estimated that by 2030 average life expectancy among women will have increased from 83.8 to 85.9 years and among men from 80.0 to 83.1. It is also estimated that the number of people aged over 65 will have risen from 1.8 million to almost 2.4 million.<sup>7</sup> The lifecycle phase after the traditional retirement age will be increasingly long for a growing number of people. Accompanying this trend is a parallel decline in the proportion of people of working age. Thus a growing number will be supported by an ever shrinking group of wage-earners. This demographic development poses new challenges, in particular with regard to the financing, design and delivery of social services, but also in terms of how we view working life and the various phases of the life cycle itself. A further factor is an ongoing internal migration process, with growing disparities between urban/metropolitan and more rural areas, for instance in terms of where people of different ages, educational levels and tax capacity live. This urbanisation process also poses new challenges for both urban/metropolitan and rural areas.

The fact that Sweden despite its prosperity has deficits in terms of socioeconomic integration, and that many people live in straitened circumstances and experience social exclusion, indicates that issues relating to social justice and cohesion are also among the key challenges lying ahead. One such challenge relates to the fact that employment levels remain significantly lower among people of foreign origin than among those with Swedish backgrounds.<sup>8</sup> This effectively limits their chances in life, which in turn means that skills and competencies go unused, with the attendant risk of social friction. The fact that those born in households with narrow economic margins and a weak footing in the community at large are often more likely to have children who will experience the same conditions also shows that negative social inheritance often limits a person's prospects.<sup>9</sup> New disparities may arise alongside the old socioeconomic differences.<sup>10</sup> These are processes that need to be countered not only for their own sake, but also because if they are reinforced Sweden could gradually

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<sup>7</sup> Statistics Sweden, 2012a, pp. 211, 229.

<sup>8</sup> Eriksson, 2010; Swedish Government Official Report, SOU 2011:11; Swedish Government Official Report, SOU 2010:88; Segendorf & Teljosuo, 2011.

<sup>9</sup> Björklund & Jäntti, 2011; Oskarson et al., 2010; Swedish Social Insurance Inspectorate, 2012; Swedish Save the Children 2012.

<sup>10</sup> Oskarson et al., 2010; Swedish National Agency for Education 2012; Jacobsson, 2010a.

become a divided polity, thus impairing the social cohesion essential to a country's proper functioning.

In terms of gender equality, Sweden is among the most equal places in the world. However, it is not yet a country where women and men enjoy the same conditions in the labour market. The top positions in working life are usually occupied by men and the gender pay gap has narrowed only very slightly in the last 20 years.

Other issues for the future that need highlighting are democracy and participation. While democracy is deeply embedded, particularly in a living, vibrant civil society, and democratic institutions are strong, there are many who do not feel they have a stake in society.<sup>11</sup> For example, voter turnout varies across different population groups, as do other forms of participation. Often it is groups with fewer stakes in their communities, such as immigrants, young people, the unemployed and low-income earners, who participate to a lesser extent in democratic and political processes. Growing disparity between groups in terms of political and democratic participation presents a real risk. Moreover, increasing disparities in media use and access could result in wider knowledge and participation gaps, fewer common reference frameworks and diminished social cohesion.<sup>12</sup>

What these processes have in common is the issues they raise, namely the challenges to long-term sustainable development and to our approaches to social organisation. Sustainable development is often discussed as if it were merely an issue of ecological sustainability, whereas – to paraphrase the UN definition – it is basically a matter of satisfying everyday needs and meeting daily challenges without jeopardising the ability of coming generations to meet theirs.<sup>13</sup> To put it another way, sustainable development is about the extent to which development is, among other things, ecologically, economically and socially sustainable, and about the extent to which the institutions and the behaviour patterns that build up, hold together and give society the strength it needs are robust over time.

The areas on which the Commission focused in its efforts to identify and analyse the future challenges facing Sweden are: (1) Sweden's demographic development, (2) sustainable growth, (3) integration, gender equality, democracy and participation, and (4)

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<sup>11</sup> Oscarsson & Holmberg, 2008; Oskarson, 2012, 2013; Jacobsson, 2010a.

<sup>12</sup> Strömbäck et al., 2012; Shehata & Wadbring, 2012; Sternvik & Wadbring, 2010.

<sup>13</sup> UN, 1987.

social justice and cohesion. Two future benchmarks were included: 2020 and 2050. Each area was the subject of a special interim report.<sup>14</sup>

The Commission's focus on the above areas does not mean that these are the only future challenges facing Sweden. Other areas to be addressed include entrepreneurship, the labour market, education at different levels, continuing professional development and research, health, innovative capacity, security policy and European integration. Several of these challenges are also discussed in the anthology published as part of the Commission's work.<sup>15</sup> However, no single inquiry can address all these issues.

Given the difficulties involved in analysing the future, there is no clear-cut model on which to base such an undertaking. In some cases, working on different scenarios can be productive; in others, however, it is less appropriate. Although work on the interim reports varied from case to case, the overarching approach was to study the present and attempt to establish the nature of the challenges facing Sweden today, to analyse on-going processes of change and the mechanisms behind them and, on the basis of these findings, to determine where Sweden is heading and to identify future challenges to society.

## Sweden in an international perspective

To understand and analyse the challenges facing Sweden in the future, we must know where we are today and how Sweden stands in relation to other countries. Such a comparison shows that Sweden is in many respects an excellent country to live and work in, as recently highlighted in a special report in the Economist magazine.<sup>16</sup>

With regard to democracy and civil rights in Sweden, studies by both Freedom House and the Economist Intelligence Unit reveal that Sweden is one of the most democratic countries in the world.<sup>17</sup> Similarly, studies by Freedom House and Reporters without Borders show that freedom of the press in Sweden is among the highest in the world.<sup>18</sup> Sweden is also one of the least corrupt

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<sup>14</sup> Blix, 2013; Hojem, 2013; Joyce, 2013; Levay, 2013.

<sup>15</sup> Strömbäck, 2013.

<sup>16</sup> The Economist, 2–8 February, 2013.

<sup>17</sup> Freedom House, 2012a, p. 18; The Economist Intelligence Unit, 2011, p. 3.

<sup>18</sup> Freedom House, 2012b, p. 13; Reporters Without Borders, 2012, p. 14.

countries in the world according to studies by, among others, Transparency International.<sup>19</sup> This is an immensely important national asset in view of the far-reaching negative effects of corruption on the functioning of democracy, markets and the welfare state etc.<sup>20</sup>

Sweden is not only a good country to live and work in in terms of democracy and democratic institutions. It also ranks high in international standings in terms of prosperity, competitiveness, the environment and sustainable development, and of the trade and business climate. According to the OECD Prosperity Index, which measures GDP corrected for purchasing power parity, Sweden is one of the world's richest countries.<sup>21</sup> According to the World Economic Forum Global Competitiveness Index<sup>22</sup>, the International Finance Corporation and the World Bank Doing Business Index<sup>23</sup>, Sweden is also one of the world's most competitive countries, with one of the world's healthiest business climates. Conditions for carrying on cross-border trade are also better in Sweden than in most other countries, according to the World Economic Forum Global Enabling Trade Index.<sup>24</sup> In terms of innovation capacity, too, Sweden is among the world's leading countries according to several studies conducted by the European Commission<sup>25</sup>, European Business Schools<sup>26</sup> and the business school INSEAD, among others.<sup>27</sup> Sweden's main strength lies in the fact that conditions and the infrastructure for innovation are good, although there are shortcomings with respect to the overall result of investment in the area in terms of actual innovations.

Sweden is also a leading country in terms of institutional rules, education, innovation and infrastructure related to two increasingly important areas: information technology and the knowledge society. This is borne out by the World Bank Knowledge Economy Index<sup>28</sup> and the World Economic Forum's and INSEAD's Network Readiness Index.<sup>29</sup> With regard to economic freedom, Sweden is ranked 18<sup>th</sup> in a Heritage Foundation study<sup>30</sup>, while a

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<sup>19</sup> Transparency International, 2011, p. 4; Rothstein, 2011.

<sup>20</sup> Rothstein, 2011.

<sup>21</sup> <http://stats.oecd.org/Index.aspx?DataSetCode=PPPGDP>.

<sup>22</sup> Sala-I-Martin et al., 2011, p. 14.

<sup>23</sup> World Bank & The International Finance Corporation, 2012, p. 6.

<sup>24</sup> Lawrence et al., 2012, p. 9.

<sup>25</sup> European Commission, 2012c, p. 12.

<sup>26</sup> Lopez-Claros & Mata, 2010, p. 25.

<sup>27</sup> Dutta & Benavente, 2011, p. 18.

<sup>28</sup> [http://info.worldbank.org/etools/kam2/kam\\_page5.asp](http://info.worldbank.org/etools/kam2/kam_page5.asp)

<sup>29</sup> Dutta et al., 2011; Dutta & Bilbao-Osorio, 2012.

<sup>30</sup> <http://www.heritage.org/index/country/sweden>

study by the Fraser Institute puts Sweden in 30<sup>th</sup> place.<sup>31</sup> One explanation for the latter ranking is that a large public sector and far-reaching labour market regulation is regarded by the Fraser Institute as unfavourable to economic freedom. An area in which Sweden has fallen behind, however, is education, as shown by the OECD PISA studies, where Sweden is ranked in 28<sup>th</sup> place.

On the other hand, Sweden is regarded as one of the world's most creative countries, according to the Global Creativity Index. Among other things, the index measures the level of technological knowledge within the population as a whole, labour force skills, and openness to new ideas, summarised as 'three Ts': Technology, Talent and Tolerance. In the latest studies, Sweden ranks as the most creative country. We come fifth in technology, second in talent and seventh in terms of tolerance.<sup>32</sup> However, the creative capacity of the Swedish population is not entirely uniform. Following the OECD's evaluation of the problem-solving abilities of Swedish school pupils as part of its PISA studies, Sweden was ranked some distance below countries such as South Korea, Finland, Japan and Canada.<sup>33</sup> However, other studies show that Sweden is among the leading countries in the world in terms of cultural performance, an important expression of creativity.<sup>34</sup>

No less important than these aspects are human development and wellbeing, and the conditions under which different population groups live. A country may be rich, but if wealth is confined to certain social groups and is too unevenly distributed this contributes very little to improving living conditions and wellbeing among people in general.

In terms of prosperity, too – where benchmarks are of course more limited and not as well developed – Sweden scores strongly in international comparisons. For example, Sweden ranks 10<sup>th</sup> in the Human Development Index compiled by the United Nations Development Programme (UNDP) (fifth when the index is adjusted for levels of inequality).<sup>35</sup> Gender equality, and conditions for women and children are also better in Sweden than in most other countries, according to studies by the World Economic Forum Global Gender

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<sup>31</sup> Gwartney et al., 2012.

<sup>32</sup> Martin Prosperity Institute, 2011, p. 15; Florida, 2012.

<sup>33</sup> Swedish National Agency for Education, 2004.

<sup>34</sup> Bergquist, 2012.

<sup>35</sup> UNDP, 2011, p. 127, 135. Definition of HDI adjusted for inequality, p. 169–171.

Gap Report<sup>36</sup>, the Save the Children Mother's Index<sup>37</sup>, and the UNDP Gender Equality Index<sup>38</sup>, among others.

**Table 1.1 Sweden's standing in various international rankings**

	Sweden's standing	No. of countries compared
Democracy Index (2011)	4	167
Freedom of the Press (2011)	1	197
World Press Freedom (2011–2012)	12	179
Corruption Perceptions Index (2011)	4	182
GDP per capita, adjusted for purchasing power (OECD) (2011)	8	34
Doing Business Index (2012)	14	183
Global Competitiveness Index (2011–2012)	3	128
Innovation Union Scoreboard (2011)	1	27
Global Innovation Index (2011)	2	125
Innovation Capacity Index (2011)	1	131
Global Enabling Trade Index (2012)	4	132
Knowledge Economy Index (2012)	1	73
Networked Readiness Index (2012)	1	142
Global Creativity Index (2011)	1	82
Economic Freedom of the World (2010)	30	144
Human Development Index (2011)	10	187
Human Development Index (2011) (adjusted for economic inequality)	5	187
Global Gender Gap Report (2011)	4	135
Mother's Index Rank (2012)	3	80
– Women's Index Rank	7	81
– Children's Index Rank	2	83
Gender Equality Index (2011)	1	187
Programme for International Student Assessment (OECD) (2009)	28	65

<sup>36</sup> Hausmann et al., 2011, p. 8.

<sup>37</sup> Save the Children, 2012, p. 52.

<sup>38</sup> UNDP, 2011, p. 139.

Here, too, however, the picture is not wholly uniform. Swedish children score high in international comparisons in terms of factors such as socioeconomic conditions and access to healthcare. With regard to self-perceived health, and relationships with parents and friends, however, Swedish children are less well off than those in many other countries.<sup>39</sup> An ongoing political science research project is examining why Scandinavian welfare states only occupy intermediate positions in the tables, despite good material circumstances.<sup>40</sup>

Another aspect in this general context is economic equality. Of all OECD countries, Sweden allocates the largest share of its GDP to public services – such as education – that help ensure more equitable living conditions. When these data are factored in, Sweden emerges as the country with the lowest income inequality (see Chapter 8).<sup>41</sup> The most common measure of economic inequality is the Gini coefficient, which measures income distribution in society on a scale from 0 (identical incomes for all) to 1 (all income goes to one person). According to the OECD, the Gini coefficient for Sweden is 0.259, while the average figure for OECD countries is 0.314. Slovenia has the least amount of income inequality, followed by Denmark, Norway, Czech Republic, Slovakia, and Sweden in sixth place. In other words, Sweden is among the most economically equal countries. Since the 1980s, however, income inequality has risen in almost all countries, including Sweden.<sup>42</sup> This is mainly due to technological development, the growing importance of income from capital, and the ever increasing demand for knowledge in the wake of globalisation.<sup>43</sup> Moreover, the best paid people, who operate in a global labour market, have increased their incomes more than others.

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<sup>39</sup> Lindblad & Lindgren, 2010, p. 20–21.

<sup>40</sup> Olofsdotter Stensöta, 2010, 2011.

<sup>41</sup> OECD, 2011a. See also Jonsson et al., 2010.

<sup>42</sup> OECD, 2011a. The figures on Sweden refer to 2008, excluding income on capital See also Björklund & Jäntti, 2011.

<sup>43</sup> OECD, 2011a; Björklund & Jäntti, 2011.



## Values in Sweden in an international perspective

The above and other international comparisons show that Sweden is frequently ranked among the world's leading countries, although our society continues to exhibit major shortcomings in a number of areas. One important explanation of why Sweden performs so well in international comparisons is that we have been spared war, large-scale natural disasters and major social conflicts. The end of World War II found Sweden's manufacturing capacity largely intact, while other countries lay in ruins, and demand for goods was high. This laid the foundation for favourable economic development in the first decades after the war, the effects of which, thanks to investment in physical infrastructure, expansion of the education system and the various welfare systems, are still with us today. In addition, an important component of the Swedish model is to seek to resolve disputes through negotiation, agreements and attempts to reach consensus rather than through open conflict.<sup>44</sup> Many major policy decisions have also been made through broad political consensus. This has contributed to the development of a society marked by limited conflict and a high degree of participation on the part of civil society and other sectors. It was partly thanks to this that Sweden also succeeded in dealing with the economic crisis of the 1990s in ways that were not only successful in the short term but also laid the foundation for economically sustainable development.<sup>45</sup> Examples include the pension reform, the reform of the budget process and the statutory independence of the Riksbank.

Sweden is also distinguished internationally by its ability to combine a large public welfare commitment with a significant degree of individual enterprise and a dynamic business sector. Through individual taxation, a well-developed preschool education system and its legal and economic responsibility for the elderly, the state plays a major role – by international standards – which in other countries normally devolves on civil society and the family. This does not mean that the family or civil society is not significant – on the contrary. Sweden also has a very vigorous civil society and the family is important in a number of respects. Historically, the welfare and tax systems were designed to underpin the ability of people to support themselves, which has also helped foster

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<sup>44</sup> Schön, 2012; Swedish Government Official Report, SOU 1990:44.

<sup>45</sup> Bergh & Henrekson, 2012.

individual independence. Alongside its large public sector, Sweden is home to internationally successful large enterprises and a comparatively dynamic business sector. Private companies and non-profit actors also play a large and growing part in the provision of publicly financed services.

This combination of a robust public welfare commitment, a favourable business climate and a strong emphasis on individual self-reliance helps to equalise life chances and give every person both freedom and security.

Thus, Sweden's mainly positive development can be explained by a number of factors, including wise policy choices and fortunate circumstances. This also affects people's values and priorities. Naturally, there is a wide range of opinions, values and life priorities among people who live in Sweden. We have different backgrounds and different dreams for the future. Measuring values and drawing conclusions from these measurements is both difficult and interesting.

It may be worth reflecting on the diversity of values held by people in different countries, as presented from time to time in international surveys and studies. However, their findings should not lead one to assume that the Swedish population has a homogeneous, or easily encapsulated set of values. Nor can value disparities among different populations be regarded as static, or as something which will determine future social, cultural, political and economic development. Increasingly radical globalisation (see Chapter 3) is gradually eroding the significance of national borders and distinctive national characteristics. Migration is also contributing to the growing diversity of values.

Nevertheless, the global World Values Survey conducted numerous times since the 1980s under the direction of Ronald Inglehart may be of interest in clarifying international differences in values.<sup>46</sup>

The surveys highlight two specific dimensions in order to analyse differences over time or between countries<sup>47</sup> One of these is concerned with the degree to which people's values are traditional or secular. Traditional values include, for example, strong religious conviction, belief in the key importance of the family, and the view that one should show respect for authority.

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<sup>46</sup> Inglehart, 1997; Inglehart & Welzel, 2005; see also Halman et al., 2008.

<sup>47</sup> Inglehart & Welzel, 2005, pp. 53–55.

People whose values are secular, on the other hand, attach less importance to religious belief, family and respect for authority.

The other dimension is concerned with the extent to which people hold what are termed survival values and self-expression values respectively. Survival values involve prioritising economic and physical security among other things, while self-expression values are about giving precedence to self-expression and quality of life. The surveys reveal a clear correlation between the level of development of a country and the values expressed by its population.

Survey respondents from Sweden are collectively among those holding the strongest combination of more secular and self-expression values.<sup>48</sup> In an international perspective, Swedes show less respect for traditional hierarchies and authorities, tend to want to make their own decisions and place a high value on individual autonomy. Swedes are also open to and tolerant towards other lifestyles and place a high value on things beyond the material level. This also applies in relation to other advanced, post-industrial, rich countries, or other countries with which Sweden shares a cultural or religious heritage.

The fact that values held by Swedes stand out in some respects in international comparisons does not mean that traditional values have entirely vanished, or are even regarded as inconsequential. Rather, Sweden's ranking, like that of other countries, probably reflects its economic development, and the fact that survival issues no longer need to be prioritised to the same extent. There is a constant dissemination of opinions and values in every country, and values and value patterns change over time. Development is not linear, as shown by, among other studies, the surveys conducted by the SOM Institute, which found that the proportion of respondents who regarded self-expression as very important rose from 29 per cent in 1988 to a peak of 32 per cent in 2002, subsequently declining to 25 per cent in 2011. Similarly, the proportion of those who responded that a "pleasant life" was very important rose from 54 per cent in 1988 to a high point of 65 per cent in 2002, declining thereafter to 59 per cent in 2011.<sup>49</sup>

Certain traditional values, particularly in connection with the importance of the family, remain strong in Sweden. The great

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<sup>48</sup> Inglehart & Welzel, 2005, pp. 48–77; Inglehart & Welzel, 2010; see also Berggren & Trägårdh, 2006, 2012; Trägårdh, 2013.

<sup>49</sup> Oscarsson, 2012.

majority of Swedes regard the family as highly important, according to the World Values Survey. This also tallies with the SOM Institute surveys, which show that family security is one of the most important values. Security within the family, for instance, is regarded as considerably more important than self-expression. Another example is religion; although it now has a different social function than it did in the past, it remains highly important to many people. This is apparent from the large percentage of religious believers in population and from the fact that over two thirds are members of some faith community.<sup>50</sup>

Another distinguishing feature is the unusually high degree of social trust in Sweden (see Chapter 8).<sup>51</sup> In the most recent World Values Survey, 68 per cent of respondents felt they could trust most other people. This may be compared with a global average of 26 per cent.<sup>52</sup> Studies conducted by the SOM Institute also show that Swedes are distinguished by high and stable social trust. Research also shows a connection between a comprehensive welfare state and a high degree of social trust.<sup>53</sup> At the same time, Sweden also has a healthy, vigorous civil society.<sup>54</sup>

Sweden is also characterised by openness to and tolerance for others, their way of life and their ways of being. A question in the World Values Survey normally used to quantify this characteristic asks what kind of person respondents would you not want as their neighbour. While it is true that the majority of respondents would rather not have alcohol or drug abusers living 'next door', most Swedes have nothing against AIDS sufferers, homosexuals or people of a different religion or ethnic background sharing their neighbourhood. In this respect we are considerably more open than people in other countries (see Figure 1.1). Moreover, we have become more tolerant over time. Between 1996 and 2006, the number of people who would not want neighbours who were homosexual fell from 11 to 4 per cent.

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<sup>50</sup> Mellergård, 2013.

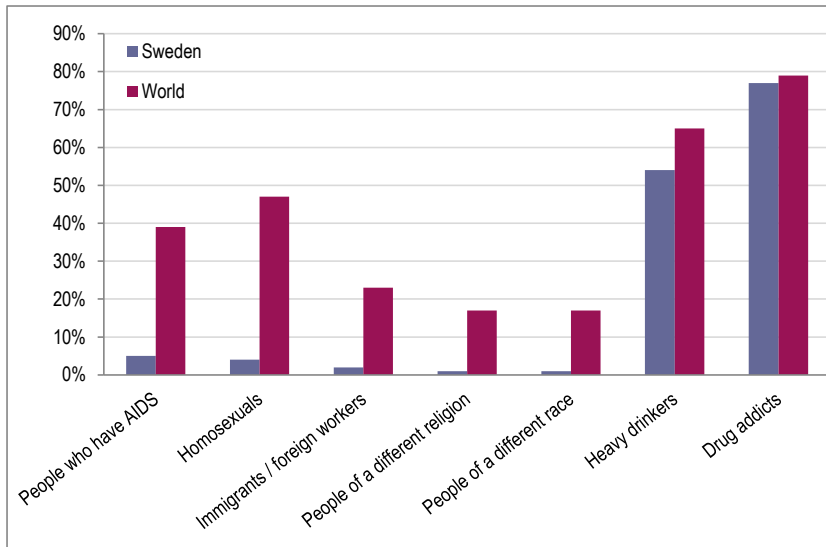
<sup>51</sup> Inglehart & Welzel, 2005, p. 72; Rothstein, 2003; Green & Janmaat, 2011.

<sup>52</sup> Oskarson & Rothstein, 2012.

<sup>53</sup> Rothstein & Uslaner, 2005; Bergh & Bjørnskov, 2011; Rothstein, 2011; Bergh, 2009.

<sup>54</sup> Harding, 2012; Levay, 2013; Rothstein, 2002.

Figure 1.1 Groups not wanted as neighbours



Source: World Values Survey, 2005–2008.

Many reasons lie behind Sweden's favourable international rankings in terms of democracy, freedom of the press, entrepreneurship and the market, creativity and human development. One important explanation is the interplay between political and institutional structures and reforms on the one hand and civil society structures and human values on the other, shaped by Sweden's social, cultural and political history. The policies pursued in a democratic country must always be rooted in people's values. A policy that runs counter to people's values and fundamental principles can never be successfully pursued in the long term. For example, Sweden has historically placed a high value on equality.<sup>55</sup> This was a precondition of the expansion of the general welfare system, which in turn has strengthened and consolidated the values that underscore the importance of equality. This illustrates the importance of seeing and understanding society as an integrated whole – as a political, social, cultural and economic ecosystem whose component parts belong together and both affect and are affected by one another.

<sup>55</sup> Rothstein, 1994; Berggren & Trädgårdh, 2006; Rothstein & Uslaner, 2005.

Accordingly, everyone – policy-makers, entrepreneurs, non-profit organisations and individuals – have a shared responsibility to help shape the Sweden of the future.

## **Background and basic premises**

Sweden is in many ways a very good country to live in, and we rank highly in international comparisons. However, past success is no guarantee of future success. If Sweden is to remain successful in the future and become an even better country to live and work in, it must be able to meet a number of major requirements, in particular in terms of an active analysis of the processes of change and the challenges these pose, and of how sustainable the Swedish model and Sweden's successes are.

Accordingly, the Commission's aim was to identify, on the basis of analysis, the future challenges facing Sweden. The purpose of this final report is to provide a broad, comprehensive description of these challenges, focusing particular attention on a number of selected areas (see below). However, the report does not aim to provide answers to how each and every challenge is to be met. Though important, this is a separate issue; finding the right methods and approaches is contingent on prior analysis. This may sound self-evident but all too often the political debate is marked by calls for and expectations of proposals and measures in the absence of previous, thoroughgoing analysis.

In the debate, challenges are often perceived as problems. A different perspective has been adopted in this report. Future challenges refer primarily to the consequences of the various processes of change in society – and in the world beyond Sweden – which Swedish policies, Swedish enterprises and non-profit organisations, as well as all citizens will need to relate to. The focus is not on present-day policies – on what is being or should be done – but on the challenges that lie ahead as a consequence of these processes. These processes can present problems, but also open up new opportunities. This is why it is vital to identify the future challenges to society if we are to meet the problems and take advantage of the opportunities that lie ahead.

Three basic premises distinguish the present report. The first is that society is in a state of constant change. This calls for an active analysis of different processes of change and their inherent

challenges. It also calls for openness, flexibility and the capacity to reappraise old standpoints. Even where basic values which should be promoted do not change, the means must be adapted to the changing times and to the challenges facing Sweden.

The second premise is that policy-making and a fruitful political discussion must rest on respect for facts and scientific knowledge. This may sound obvious, but in a complex world with a vast excess of information, it has become increasingly difficult to identify what is true and/or relevant.<sup>56</sup> It has also become easier to isolate oneself from, and to question, facts and scientific observation, to exploit uncertainty and to dress up opinion as fact.<sup>57</sup>

The third premise is that Sweden is and will remain an integrated part of the world. This is not just a consequence of membership of the EU and the fact that Sweden is affected and affects decisions taken within the Union. It is also because trade, investment, capital flows, information flows, cultural expressions and people are increasingly moving across national borders. Sweden as a nation, Swedish companies, non-profit organisations and individuals are all working and acting in an integrated, global environment. Globalisation must therefore be accepted as fact, although its direction is affected by political decisions, technical development and human values. Its intensity and expression can, and in all likelihood will change; protectionism or nationalism may cause setbacks, but globalisation and our dependence on the world at large cannot be wished away.<sup>58</sup> They must be factored into every analysis of present as well as future challenges (see Chapter 3)

## Analysing the future

While it is crucial to identify and analyse future challenges, analysing something that has not yet happened is a challenge in itself. History is full of failed attempts to predict the future.<sup>59</sup> Either the predictive content was erroneous; changes occurred much later than originally anticipated; or there was a failure to foresee events or developments that subsequently took place.

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<sup>56</sup> Kovach & Rosenstiel, 2010; Bjereld & Demker, 2008.

<sup>57</sup> Sunstein, 2007; Oreskes & Conway, 2010; Mohammed, 2012.

<sup>58</sup> Braunerhjelm et al., 2009; Swedish Government Ministry Publication Series, Ds 2009:21; Castells, 1998; Bjorvatn et al., 2008; NIC, 2012.

<sup>59</sup> Benford, 2010; Gerholm, 1999; Taleb, 2010; Watts, 2011.

Perhaps one of the best examples of an erroneous prediction is Malthus's theory, proposed in the late 18<sup>th</sup> century, that populations would grow much faster than food production. This, it was proposed, would lead to growing food shortages and starvation. He also maintained that poverty and lack of food would never be overcome by increased productivity.<sup>60</sup> The world population at that time was approximately one billion. Now, just over 300 hundred years later, the global population stands at approximately 7 billion, and although poverty is still widespread in large parts of the world, there is broad agreement that lack of food in itself is not the problem.<sup>61</sup> Food production has kept pace with population growth. Global food production doubled between 1970 and 2010, and UN statistics show that while the world population grew by some 10 per cent between 1999 and 2009, food production increased 21 per cent over the same period<sup>62</sup>

History also provides a number of examples of events which were not foreseen before they happened, but which proved, or may still prove, to have major repercussions. For example, very few people predicted the fall of the Berlin wall in 1989, the terrorist attack against the US in 2001, the global financial crisis of 2008 or the Arab spring in 2011. In other cases, the events were foreseen but not their short- and long-term consequences. Examples of such events include hurricane Katrina and the flooding of New Orleans in 2005, the US invasions of Afghanistan and Iraq in 2001 and 2003, and the earthquake of the coast of Japan in the spring of 2011.

There are many reasons why it is frequently impossible to predict the future, the most important of which is that the future is by definition unknown. If, for example, future innovations could be predicted they would no longer be part of the future. They would be invented now and thereby belong to the present. We cannot know today what we will not know until tomorrow.

This line of reasoning should not be interpreted as an argument against attempting to analyse future developments. People have always been fascinated by the future, and in trying to foresee it, individuals and organisations alike can acquire the tools they need to develop the ability to shape the it.<sup>63</sup> It is precisely because the

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<sup>60</sup> Malthus, 1798.

<sup>61</sup> UNDP, 2011.

<sup>62</sup> Randers, 2012, p. 130; UN 2010a, p. 9, 293.

<sup>63</sup> Alm, Palme & Westholm, 2012.



future is shaped in a continuous process that it is vital to stay one step ahead so that actions taken today can contribute to a better tomorrow.

At the same time, it is important that we approach the task of analysing the future with a measure of humility, and remain sceptical towards those who claim to know with certainty what the future will look like. It is also important to make a distinction between analysing and attempting to understand the future on the one hand, and predicting – in the strict sense of the word – what the future will be like.

The Commission is concerned with analysing future challenges to society, not with detailed predictions of how the future will look.

## Organisation of the report

This introductory chapter has provided a brief description of the Commission on the Future of Sweden and its remit, and where Sweden stands in relation to other countries in terms of democracy, human development, gender equality, the functioning and competitiveness of the market, and the capacity for innovation.

Sweden today – where we stand in relation to other countries, our strengths and weaknesses as we look towards the future – cannot be understood without reference to our cultural, social and political history. Chapter 2, *Sweden in transition*, accordingly provides an overview of how Sweden has changed in a number of respects during a short part of our history: from 1970 to 2010. This period, which covers 40 years, largely corresponds to that between the present and 2050.

One of the points of departure for the Commission's work is that reality is continually being altered in a complex interplay between policy-making, technological development, market processes and entrepreneurship, civil society actors, and human values and behaviour. Some of these changes are more influenced by policy decisions, while others mainly take place beyond the reach of national policy-making. This applies to technological development, for example. Some changes take place mainly in Sweden, while other processes are global in character. In light of this, Chapter 3 will describe and analyse two global processes which are not only of key importance in themselves, but also of

significance to the challenges that lie at the focus of our analyses: *The challenges of globalisation and technological development.*

Among the challenges facing Sweden and the world are the need for further development which is both ecologically and economically sustainable in the long term, and the need to promote green growth. Measures include reducing greenhouse gas emissions, counteracting global warming, preventing the loss of biological diversity, and finding ways of using, rather than using up, natural capital. These challenges are identified and discussed in Chapter 4, *The challenges of sustainable growth.*

Chapter 5 focuses on *The challenges of demographic development.* The ultimate concern here is the fact that we are living longer and healthier lives, which is of course an extremely positive development. However, the proportion of the working age population is shrinking as a result. This will involve new challenges in terms of maintaining the sustainability of public welfare systems. Another aspect of demographic development is urbanisation and the resulting growing disparity between urban and metropolitan areas on the one hand, and more rural areas on the other. The chapter describes and analyses both Sweden's historical and projected demographic development, as well as the challenges this entails.

Closely connected to demographic development is the issue of migration and labour market integration. In the past few decades, Sweden has become a land of wide diversity in terms of where its citizens and residents come from. Analyses show that more effective integration is an important factor in meeting the demographic challenges. Chapter 6, *The challenges of migration and integration,* accordingly identifies and analyses current and future challenges with respect to migration and labour market integration.

Over the last few decades, democracy has made significant strides the world over; the number of formal democracies has never been as high as at present. Even authoritarian regimes often hold elections in some form, a sign that democracy now enjoys greater legitimacy than other forms of government. Meanwhile in Sweden, gender equality has increased in recent decades. However, progress in terms of greater democracy and gender equality cannot be taken for granted; here, too, Sweden faces a number of future challenges. Chapter 7, *Challenges for democracy and gender equality,* is therefore devoted to analysing such challenges.

To function well, a country must possess a sense of community and social cohesion at different levels, from close personal

relationships, to civil society, to the polity as a whole. Community and cohesion in society in the larger sense are needed among other things to bind together people who are not personally related to one another and in order that they should be willing to adhere to existing laws and regulations. At the same time, there is concern that growing differences between groups could lead to social fragmentation. These issues are addressed in Chapter 8, *The challenges to social cohesion*, which examines the challenges facing Sweden in terms of future social cohesion.

Chapter 9, *Future challenges facing Sweden*, contains a summary and analysis of the Commission's findings, and its principal conclusions.

The future is created and re-created every day; this means we have every opportunity to shape a future that is better than the society and the world we are living in at present. This is precisely why an analysis of socioeconomic development and the challenges that lie ahead is so essential, and why the Government appointed the Commission on the Future of Sweden. It is hoped that this final report will be an important contribution to further discussion and public debate, focusing on issues of decisive, long-term importance for Sweden's future.

“I want to have had everything by the time I'm 30. To be content with my life, and not to have missed anything. I want to be able to tell my children what the rest of the world is like. I want to be familiar with the ways of the world.”

Frank Wagner, 18, Linköping. From the Future Sweden project.



2

## Sweden in transition





## 2 Sweden in transition

“I’m one of those who in 2050 will be slightly older than the members of the Commission are at present, and I’ll be looking back on my now uncertain future. What will I see?”

Alva Snis Sigtryggsson, National Council of Swedish Youth Organisations, guest blogger

### Introduction

The task of the Commission on the Future of Sweden is to identify the challenges that are likely to develop in the period leading up to 2050, almost 40 years from now. To put that time frame into an historical perspective, this chapter will look back to 1970, almost 40 years ago. The aim here is to provide a brief, summarised account of how Sweden has changed over that period in terms of demography, family life and gender equality, education, the economy and business activity. Many other important challenges have also taken place, relating for instance to civil society and participation in community life, the media landscape, transport technology, and how we live, eat and spend our time. Changes in the country’s political and economic institutions will also be discussed; some of these will be addressed in coming chapters. The focus of the present chapter, however, is demography, family life and gender equality, education, the economy and enterprise.

### Sweden and the world, 1970

In 1970, events in the world were still marked by the Cold War between the West and the communist Eastern bloc. The Soviet Union and its satellite states in the Warsaw Pact – Bulgaria, Poland, Rumania, Czechoslovakia, Hungary and East Germany – were communist

one-party states, as were China, North Korea, Vietnam, Laos, Cuba, Mongolia and Albania. Richard Nixon was president of the US, while Leonid Brezhnev was head of state in the Soviet Union and Mao Zedong ruled in China. The EU comprised only Belgium, France, Italy, Luxembourg, the Netherlands and Germany, and wielded only limited power. As yet, there was no European Parliament. The most notable international conflict was the Vietnam War, which widened in 1970 with the US-led invasion of Cambodia. In that same year, a civil war came to an end in Nigeria with the capitulation of the breakaway state of Biafra, Rhodesia gained its independence from the UK, a civil war broke out in Jordan and Anwar Sadat became president of Egypt. In Peru, an earthquake reduced several towns to ruins and killed some 67 000 people.

In Sweden, the bicameral Riksdag was dissolved after 104 years and replaced by a unicameral Riksdag, which is still in place. Among the major events of this particular year were Swedish Television's first nationwide colour transmissions, the abolition of joint taxation, and a parliamentary decision to shorten the working week to 40 hours. The energy issue was high on the agenda. In March, electricity was rationed for a month, and later in the year Sweden's first commercial nuclear power plant was given a test run. Also, for the first time since the Second World War, the Government imposed a general price freeze. During the 1960s, economic growth in Sweden had averaged 4.7 per cent, but in 1970–1971 it fell to 2.4 per cent. Having experienced several decades of high growth, Sweden was ranked as the fourth richest country in the world in terms of GDP per capita, but history tells us that the 1970s marked a transition to a period of low growth. No one realised this at the time, however, and despite the oil price shocks, credit squeezes and an international and national recession, the 1970s became a decade of extensive reforms. These included the introduction of the Security of Employment Act and the Co-determination in the Workplace Act, a lowering of the age of majority from 20 to 18, the expansion of the nuclear power system, the introduction of parental benefit, the prohibition of corporal punishment, and the abolition of the concept of homosexuality as a medical condition. These reforms have been accompanied by many others during the 40 years or so since 1970. Taken together with other changes that have occurred, beyond the immediate scope of politics, this has meant that Sweden in 2013 in many ways has

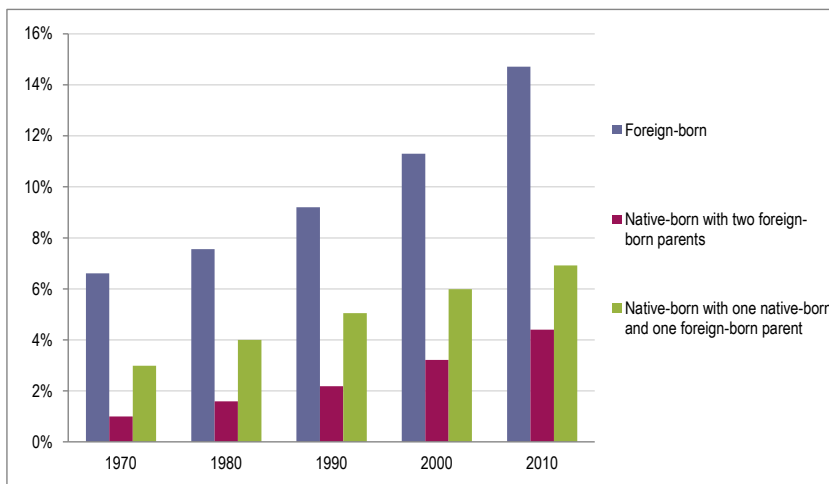


become a different country than it was in 1970. Significant changes have occurred in areas such as the population, family formation, gender equality, economic life and the labour market.

## Population change 1970-2010<sup>1</sup>

In 1970, the Swedish population comprised 8 081 299 citizens, of which 93 per cent were native-born. Over the subsequent decades and up to 2010, the figure rose to 9 415 570, while the proportion of foreign-born persons climbed from 7 to 15 per cent of the population. Meanwhile, the proportion of native-born persons with two foreign-born parents increased from 1 to 4 per cent of the population, and the proportion of native-born persons with one foreign-born parent rose from 3 to 7 per cent (see also Chapter 6).

**Figure 2.1** Percentage of the population with foreign backgrounds



Source: Statistics Sweden, Population statistics.

At the same time, the population pattern changed in terms of age and remaining average life expectancy. Between 1970 and 2010, the proportion of the population aged 0–24 declined from 36 to 30 per cent while the proportion aged 65 or older rose from 14 to 18 per cent. Average life expectancy at birth also rose from 71.9 to 79.1

<sup>1</sup> Where no particular source is given for a statistic, it is taken from documentation produced by Statistics Sweden at the request of the Commission.

years for men and from 76.8 to 83.2 years for women. The estimated remaining average life expectancy for those aged 65 – the traditional retirement age – rose from 14 to 18 years for men and from 16.4 to 20.9 years for women. The overall mean age rose from 38 to 42 years for women and from 36 to 40 years for men.

Thus in the period 1970–2010 the Swedish population has become steadily larger, older and more diverse in terms of origin. A growing number are living longer and the stage in life traditionally regarded as retirement age has gradually lengthened; at the same time the percentage of young persons in the population has declined and the mean age has risen (see also Chapter 5).

**Figure 2.2** Percentage of the population in various age groups

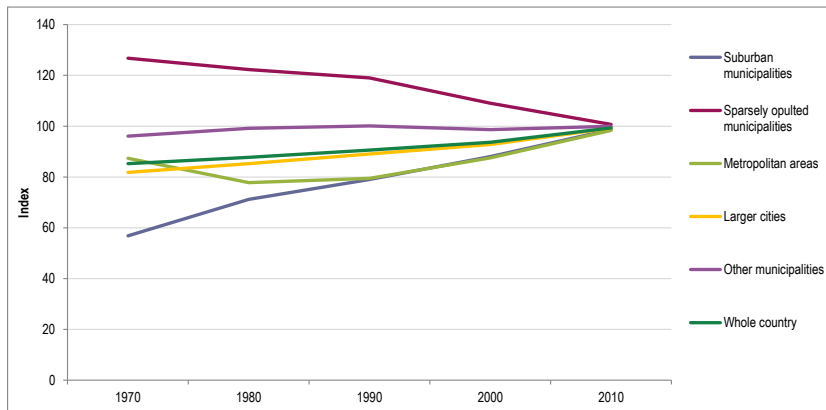


Source: Statistics Sweden, Population statistics.

Meanwhile, the population has become increasingly concentrated to the three metropolitan counties of Stockholm, Västra Götaland and Skåne. Between 1970 and 2010, the proportion living in one or other of these counties increased from 44.4 to 51.8 per cent. The proportion living in Greater Stockholm, Greater Gothenburg or Greater Malmö rose from 33.1 to 38.6 per cent. Meanwhile, the percentage living in sparsely populated municipalities has declined. This trend is illustrated by Statistics Sweden’s population index, in which 2010 has been given the value 100. An index value of 127 for sparsely populated municipalities in 1970, for example, means that

in 1970 their population was 127 per cent of their population in 2010.

**Figure 2.3** Actual population trends by municipal group



Source: Statistics Sweden, Population statistics.

## Changes in family patterns and gender equality 1970–2010

In the case of home and family, too, significant changes occurred between 1970 and 2010.<sup>2</sup> The proportion of married women and men fell from 48 to 34 per cent, while the divorce rate among persons aged 30–59 more than tripled, from 6 to 22 per cent. During the same period, the proportion of single householders increased from 25 to 49 per cent. The average number of children per household remained unchanged at about 1.7, but the average age at the birth of the first child rose from 24 to almost 29 years for women and from just under 27 to about 31 years for men.<sup>3</sup> The proportion of children living with single parents, meanwhile, rose from 12 to 20.2 per cent.

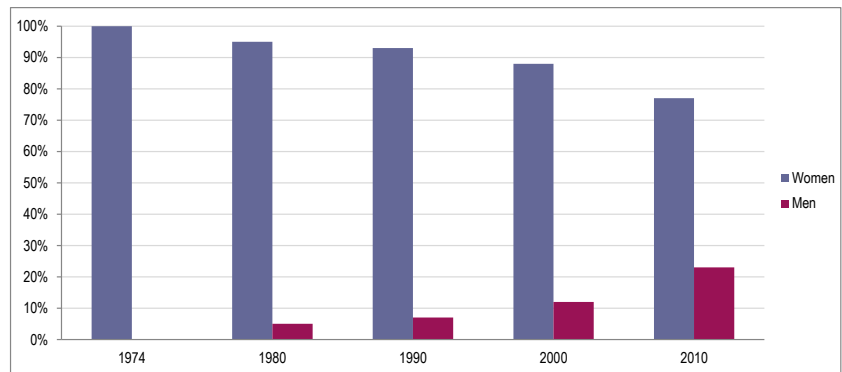
While the traditional family comprised a married, cohabiting couple with two children – where the man went out to work and the woman was chiefly responsible for the family, and where for most people lifelong marriage was both the norm and a reality – different types of family formation are more common nowadays and the gender balance between parents is much more equitable.

<sup>2</sup> See also Joyce, 2013.

<sup>3</sup> Statistics Sweden, Living conditions, Population.

This is reflected, for instance, in the falling inequality with respect to labour market participation. Among women, the share who participated in the labour market increased between 1970 and 2010 from 53.8 to 74.5 per cent, while among men it fell from 86.2 to 77.3 per cent.<sup>4</sup> Comparable income statistics dating back to 1970 are not available, but in 1975 average disposable income for a woman of working age was 57 per cent of a man's income.<sup>5</sup> In 2010, this share had increased to 78 per cent (see also Chapter 7).<sup>6</sup> With regard to care of the children, maternity benefit was not replaced by parental benefit payable to both parents until 1974, and at that time almost exclusively women claimed it. Over time, however, the proportion of days claimed by men has increased.

**Figure 2.4** Distribution of parental benefit days claimed



Source: Swedish Insurance Agency.

Another change concerns the time spent by women and men respectively on household chores such as cooking, washing up, cleaning and washing clothes. Here, the statistics extend back to 1990 and show that responsibility for work in the home has evened out since then. The main reason for this is that families now devote less overall time to this type of work. In 1990, women and men spent a total of 482 minutes per day on household work but by 2010 this had fallen to 412 minutes. Also, men have accounted for a larger share of household work over time. Between 1990 and 2010, their share of work in the home rose from 38 to 44 per cent, while

<sup>4</sup> Statistics Sweden, Register-based labour market statistics.

<sup>5</sup> Swedish Government Official Report, SOU 1998:6.

<sup>6</sup> Swedish Government, 2012.

their share of all gainful employment fell from 60 to 55 per cent (see Table 2.1). One difference between the sexes, however, is that women take more responsibility for daily routine work in the home while men are more inclined to perform tasks that can be discharged when it suits them. Moreover, women's work in the home tends to conflict with their employment more often than is the case with men.

**Table 2.1** Time for housework and employment 1999–2010 in the population aged 20–64

	1990	2000	2010
<b>Women:</b>			
Employment	3:45	3:42	4:12
Housework	5:03	4:13	3:50
Total	8:48	7:55	8:03
<b>Men:</b>			
Employment	5:41	5:18	5:05
Housework	2:59	2:52	3:02
Total	8:39	8:10	8:07
<b>Gender gap</b>	<b>+0:09</b>	<b>-0:15</b>	<b>-0:04</b>

*Source:* Statistics Sweden, 2012c. Hours and minutes per day, seven days a week.

Although the distribution of housework and gainful employment between women and men has changed, the total burden of work has remained the same for both throughout the period.

## Educational changes and labour market establishment 1970–2010

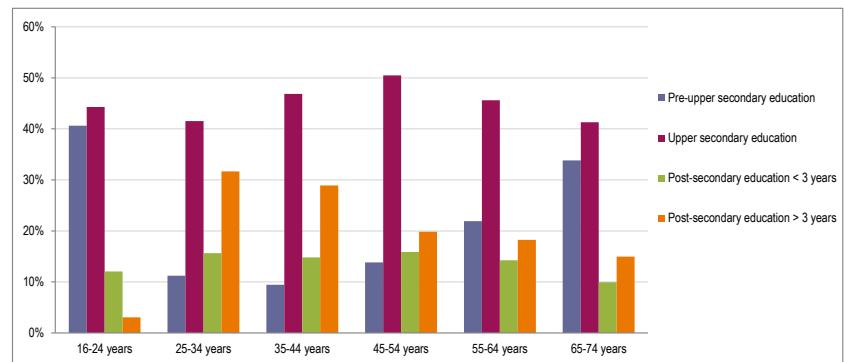
Aside from the changes in population structure and family formation patterns – and in gender equality as it relates to gainful employment, care of the children and responsibility for the home – recent decades have been marked by a dramatic improvement in the level of education. Between 1970 and 2010, Sweden underwent what could be described as an educational revolution.<sup>7</sup> During this

<sup>7</sup> See also Löfström, 2012.

period, the proportion of those with only a pre-upper-secondary education dropped from 62.7 to 18.5 per cent, while the proportion with an upper-secondary education rose from 30.3 to 45 per cent. Meanwhile, the proportion of young people with a post-secondary education rose from 7 to 34.2 per cent. In the case of university and college graduates, too, there has been a dramatic change over the past three decades, with the number awarded degrees rising from just under 33 000 to just over 55 000 between 1980 and 2010.

The change in the educational level is even more evident in cohort analyses that study the situation in different age groups. While the proportion with a post-secondary education is about 25 per cent in the 65–74 age group, it is around 47 per cent among those aged 25–34. Conversely, about a third of the 65–74 age group have only a pre-upper secondary school education, which may be compared with about 10 per cent in the 25–34 age group (see Figure 2.5).

**Figure 2.5** Educational levels in various age groups



Source: Statistics Sweden, Education Register.

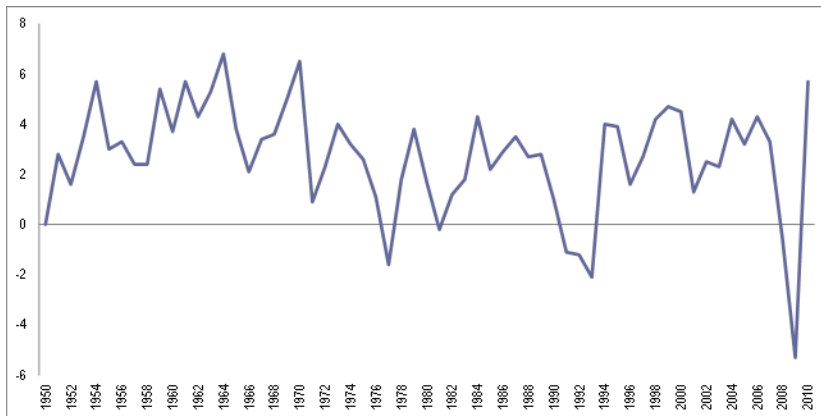
In other words, the Swedish population has become increasingly high educated. At the same time, the fact that growing numbers are studying for longer periods means that young people are becoming established in the labour market at an increasingly later age. If the age of labour market establishment is defined as the age at which 75 per cent of an age group are in gainful employment, this increased between 1980 and 2010 from about 24 to 29 years. The fact that growing numbers are engaging in higher studies is also an

important reason why the average age of parents at the birth of their first child has increased in recent decades.

## Changes in the Swedish economy 1970–2010

The changes that have taken place in recent decades are not solely population-related. They are also related to the Swedish economy. As mentioned earlier, Sweden experienced dramatic economic growth during the first few decades after the Second World War, but a period of substantially lower growth began around 1970. For the period 1930–1975 as a whole, Sweden's average annual growth rate (fixed prices) was 3.2 per cent per capita, but during the period 1975–2005 it was only 1.6 per cent. It was particularly weak during the 1970s and subsequently in the aftermath of the financial crisis and the recession of the early 1990s. As a result, Sweden fell in the OECD's welfare index from fourth to 16th place between 1970 and 2000.<sup>8</sup>

Figure 2.6 GDP growth 1950–2010



Source: Statistics Sweden, National accounts.

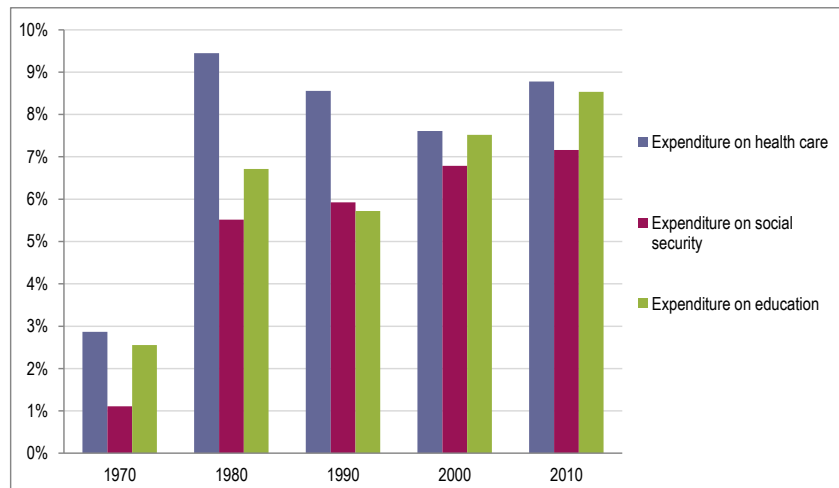
During this period, however, both the public sector and the tax ratio increased. As a share of GDP, total taxation rose from 38 per cent in 1970 to 52 per cent in 2000, after which it dropped back to 46 per cent. As a share of GDP, total expenditure in the public

<sup>8</sup> Bergh, 2009; Schön, 2012; Statistics Sweden, 2012b.

sector – including expenditure on both public administration and on publicly financed services and transfers – increased from 43 to 59 per cent between 1970 and 1980. It then fell to 57 per cent in 1990, to 55 per cent in 2000 and to 51 per cent in 2010.

As regards expenditure on publicly financed services as a percentage of GDP, it is primarily spending on healthcare, social security and education that have increased. The most dramatic increases occurred between 1970 and 1980, when expenditure on healthcare rose from 2.9 to 9.4 per cent, on social security from 1.1 to 5.5 per cent and on education from 2.6 to 6.7 per cent. This expenditure then stabilised and in some cases fell somewhat, depending on the point of comparison used. Expenditure on healthcare, for example, declined from 9.4 per cent in 1980 to 8.8 per cent in 2010, while expenditure on education has increased over the past two decades.

**Figure 2.7 Welfare expenditure as a percentage of GDP 1970–2010**



Source: Statistics Sweden, National accounts.

Taken together, these changes and increased public commitments have meant that Sweden today has one of the world’s largest public sectors. According to the Fraser Institute’s latest study on economic freedom in the world, the largest public sector as a percentage of GDP – including expenditure on publicly financed



services, administration and transfers – is found in the Netherlands, followed by Sweden, Nigeria, Italy and Denmark.<sup>9</sup>

At the same time, foreign trade and globalisation have intensified during this period (see Chapter 3), while the business sector has undergone structural changes. Comparisons back in time are complicated by changes in Sweden's national accounts and by the fact that various industries have altered shape over the years, but certain trends may nevertheless be discerned. One of the most pronounced is the declining significance of agriculture, forestry and fisheries; in 1970, these industries accounted for 4 per cent of the contribution to GDP growth, but by 2010 the figure was only 1 per cent. The manufacturing industry also lost ground, from 25 to 14 per cent of the GDP contribution.

Meanwhile, new industries have appeared while others, not least in the service sector, have grown. Between 1993 and 2010 alone, the production of services increased from 39 to 44 per cent of the GDP contribution. The trend was even more apparent if we take added value as a point of departure, i.e. the value of what is produced minus the value of the goods and services that are used in the production process. In 2011, the production of services accounted for no less than 71 per cent of total GDP. Excluding taxes and subsidies, production of goods in the private sector accounted for 28 per cent of GDP in 2011, production of services in the private sector for 51 per cent and production of services in the public sector for 20 per cent.<sup>10</sup>

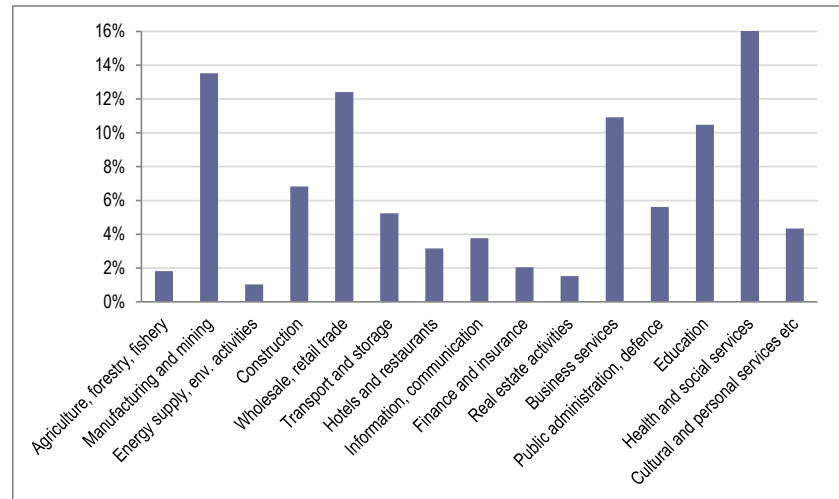
The structural changes in the business sector are also reflected in the changes in terms of the sectors that people work in. Alterations in the statistics make it difficult to compare the period before and after 1990, but between 1970 and 1990 there was a decline in the percentage of people employed not only in the agricultural, forestry and fisheries sectors but also in manufacturing and construction. The same period saw a rise in the percentage of people employed in the public sector and the banking and insurance sector. In 2010, the most important sectors in terms of the percentage of employed were healthcare, manufacturing, trade and commerce, business services and education.

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<sup>9</sup> Gwartney et al., 2012.

<sup>10</sup> Holmberg, 2012.

Figure 2.8 Employment in various sectors 2010

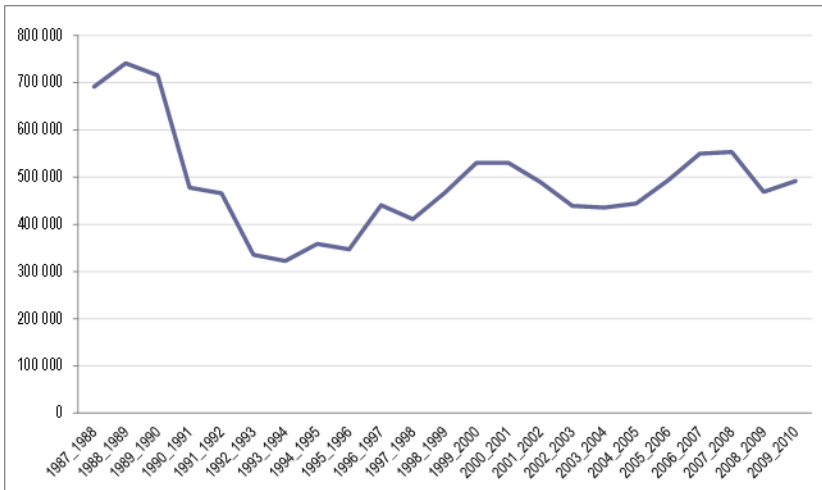


Source: Statistics Sweden, Register-based labour market statistics.

It is not only at the industrial and social level that important changes are constantly taking place. Even greater changes are to be found at micro-level. Every year, hundreds of thousands of jobs are either disappearing or being created, and each year hundreds of thousands of people change their employer. A study of the overall employment situation only shows the sum of the changes, but that sum does not show how dynamic the labour market is. Between 2009 and 2010 alone, for example, over 490 000 people changed their employer (see Figure 2.9).

The variable nature of the labour market also becomes evident if we look at what percentage of those with a given employer in 2010 worked for the same employer in previous years. Of the 4.4 million who had a given employer in 2010, only 78 per cent had the same employer in 2009, 68 per cent had the same employer in 2008, 58 per cent had the same employer in 2007 and 50 per cent had the same employer in 2006. In other words, between 2006 and 2010, half of all employed persons either changed their employer or retired from working life. Between 2000 and 2010, as many as 75 per cent changed employer or retired.

Figure 2.9 Number of persons who changed employer 1987–2010

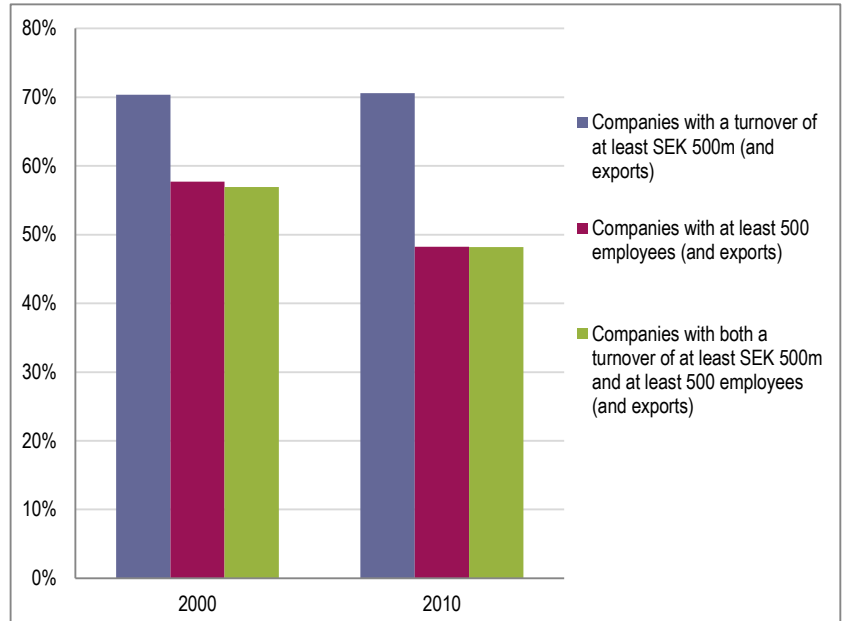


Source: Statistics Sweden, Register-based labour market statistics.

Another distinguishing feature of Swedish economic life is a strong dependence on large companies. While large companies – defined as those with more than 500 employees – make up only 0.3 per cent of all companies in number, they account for a substantial share of Swedish exports. Sweden had a total of 458 export companies with more than 500 employees in 2010 – compared with 536 ten years earlier – and they accounted for 48.2 per cent of total exports. If instead we define large companies as those with a turnover of at least SEK 500 million, these increased in number between 2000 and 2010 from 969 to 1 064, while their share of total exports rose from 70.3 to 70.6 per cent. Thus just over a thousand large companies account for almost three quarters of all Swedish exports.

If large companies are defined as those with both a turnover exceeding SEK 500 million and more than 500 employees, Sweden had only 360 such companies in 2010, which was 30 less than in 2000. At the same time, their share of total exports declined by approximately 15 per cent between 2000 and 2010, or from 56.9 to 48.2 per cent.

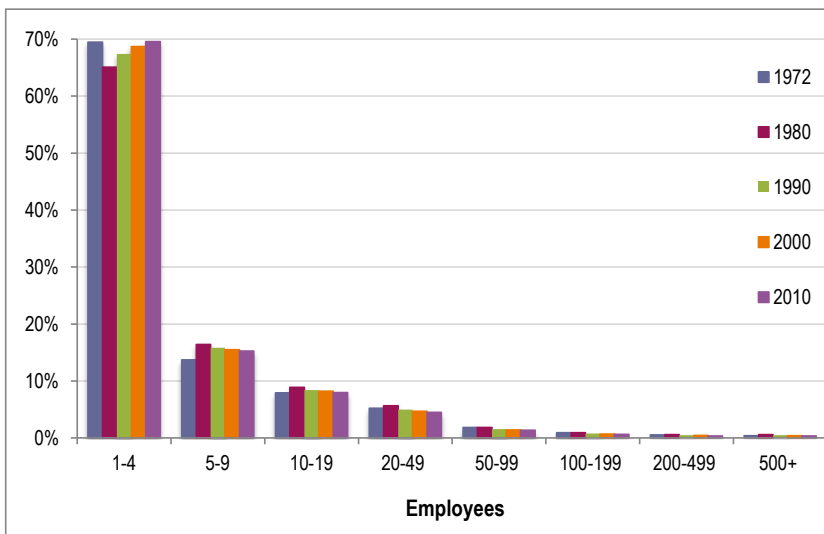
Figure 2.10 Major companies' share of exports



Source: Statistics Sweden, Business register.

Statistics on the percentage of people employed in large companies extend back to 1990. In that period the figure for companies with more than 500 employees fell from 31 to 27 per cent. Taken as a whole, these statistics show that Sweden is deeply dependent on a small number of major companies but that this dependence has diminished over the past decade in terms of exports and number of employees. At the same time, company structure in terms of the percentage of employed has changed little since the 1970s. Both then and now, almost 70 per cent of all companies have up to four employees, while the proportion of companies with more than 100 employees is only about one or two per cent.

**Figure 2.11 Company percentages based on number of employees  
1972–2010**



Source: Statistics Sweden, Business register.

To these quantitative changes should be added the fact that Swedish working life and enterprise have changed in character as old industries have been eliminated and new ones have emerged. As a result of both stiffer global competition and higher levels of education, knowledge input in the production of both goods and services has increased. Not least, the advance of information and communication technology has helped bring about fundamental changes in the way work and production processes are organised, and increased globalisation and new communication technologies have both made increased productivity imperative. It is worth recalling here that many of the ICT features that are now an integral part of working life – personal computers, the internet, e-mail, mobile phones and tablets – hardly existed 40 years ago. We will return to this and other technological changes later on.

## A different country

The changes described in this chapter do not of course give the whole picture of Sweden's transformation in recent decades. Many other changes have taken place as well, virtually regardless of which area of society we choose to study more closely. To describe them all, however, is not the purpose of this chapter. Rather, our aim has been to present a summarised account of how Sweden has changed since 1970 in certain important respects.

In sum, the discussion shows that in many ways Sweden is now a different country than it was 40 years ago. The population has increased and become steadily older and more heterogeneous. At the same time, gender equality and individual freedom have increased, which in turn has led to greater diversity in the ways people choose to live their lives. The level of education has risen dramatically and Sweden has entered the information society. This has caused a decline in some industries while others have experienced an upswing. In some cases totally new industries have emerged, especially in the ICT sector. In 1970, this sector did not exist, but today there are almost 41 000 ICT-related service companies in Sweden with over 140 000 employees and a combined turnover of some SEK 380 billion, or approximately 10 per cent of Sweden's GDP.<sup>11</sup> This in turn illustrates the dynamic nature of both the business sector and the labour market, as well as the importance of keeping abreast of technological advances and seizing the opportunities that arise in connection with it.

Another important change is the expansion of the public sector and the tax ratio, both of which increased for long periods but which have declined over the past decade. These changes have helped shape the welfare state we have today. Meanwhile, globalisation means Swedish enterprise now faces strong competition. Thus, aside from the changes discussed here, there are grounds for examining two current processes of major importance both now and in the future: globalisation and technological change.

“No one can do everything but everyone can do something. So stop sitting on your hands, be brave and go out and change the world. It all starts with you.”

Robert Börjes, blogger in the Future Sweden Relay

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<sup>11</sup> Statistics Sweden, 2013.

# 3

## The challenges of globalisation and technological development







### 3 The challenges of globalisation and technological development

“In 13 years’ time, I actually don't know where I'll be in the world. As my roots are in the Middle East, I'm tempted to go there, but at the same time while I'm still young I want to travel and work and discover the world.”

Zubaida, Österåker, from the Future Sweden project

#### **Introduction**

Changes are constantly taking place at various levels in society. Many of these processes occur below the surface and may not be noticeable in everyday life but become clear as time passes. As the previous chapter showed, Sweden has changed in many ways over the last forty years alone.

Many of these changes have been a result of political decisions and reforms. They include the expansion of welfare services such as parental insurance, childcare, healthcare and elderly care, of the education system and of labour market legislation, as well as other welfare reforms. They also include the deregulation of public monopolies in the welfare sphere, a number of tax reforms, and institutional reforms such as giving the Riksbank (Swedish central bank) greater autonomy. Whenever political reforms are introduced, conditions change both for people and for private and public organisations. The expansion of child care, for instance, has enabled more women to work for a living, just as the deregulation of public monopolies has cleared the way for a variety of actors, tax reforms have made it more profitable for people to work, and development of the education system has enabled more people to move on to higher studies.

It is impossible to know in advance how individual citizens and private and public organisations will respond to political and other changes. The actions of individuals and organisations are shaped by processes impacted by many different factors. Although there is a will and an aim behind every political decision, and although these decisions are preceded by studies and analyses of the likely consequences, this means that politicians can never know for certain what impact their decisions will have. Also, it frequently takes time for the effects of such reforms to become visible. Some consequences are foreseen and intentional, others unforeseen and unintentional. The same applies to decision-making at the individual level, and within non-profit organisations and business companies. Uncertainty is an element in all decision-making.

Moreover, many change processes are politically influenced to only a limited extent, either because they lie outside the political sphere altogether or because they are an unexpected result of policy decisions. In other cases, political influence is indirect and shaped by the way individuals, organisations and business operators behave. Sometimes, too, important change processes lie outside the immediate scope of national politics because they are global and do not follow state borders.

Examples include demographic change, globalisation, climate change and changes stemming from technological development. In virtually all analyses of the future, these are singled out as key processes that will have a considerable impact in the years ahead.<sup>1</sup> Demographic change and climate change are two of the issues that will be discussed in coming chapters. In this chapter, the focus is on globalisation and technological development.

## The globalisation of politics, economics and society

Basically, globalisation is about the declining importance of national borders, the growing interdependence of nations and the growing importance of cross-border cooperation. This applies for instance to capital flows, trade, investments, migration and the exchange of information and technology. It also applies to the way culture, conceptions of life, values and perceptions of reality are

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<sup>1</sup> For relevant future scenarios and analyses, see inter alia Jones & Dewing, 2011; Friedman, 2011; Ghemawat, 2011; Randers, 2012; Glenn et al., 2011; MSB, 2012; Diamandis & Kotler, 2012; NIC, 2012; World Economic Forum, 2013.

shaped and develop. More and more people and things are moving ever more often and ever faster across national borders. Today, no part of society – whether it is the economy or consumer patterns, culture, security, research or education – is untouched by globalisation.

Globalisation is also of key importance when it comes to deciding how the crucial transboundary issues of our time are to be met.<sup>2</sup> Because of the globalisation of the economy and of information flows, an increasing number of issues have to be dealt with through international political cooperation, as the global financial crisis that developed in 2008 showed. The quest for an end to global warming is also global in character. Regardless of where emissions are released, the whole world is affected, and no country can correct the economic, ecological and social imbalances in the world on its own. To a greater or lesser extent, these are global problems that require both local and regional, national and global solutions.

Nation states are still important, and remain the most important actors in the international arena, but their sovereignty has diminished and global flows of one kind or another increasingly affects them. This means that no country – and particularly no small, export-dependent country like Sweden with only a tiny fraction of the global population – can shut itself off from the rest of the world.

#### *Globalisation as a process*

Over the past 50 years, economic prosperity has increased throughout the world. Worldwide, GDP per capita has almost tripled, from USD 2 378 in 1960 to USD 6 103 in 2011<sup>3</sup>. As a result, fewer people are living in poverty, while a globally burgeoning middle class has emerged and life expectancy has increased. In 1960, global life expectancy was 55 years for women and 51 years for men. By 2010, it had increased to 72 years for women and 68 years for men. Infant mortality, meanwhile, has more than halved over the past forty years. In 1968, the infant mortality rate was 103 in 1 000, whereas in 2010 it had fallen to 37.<sup>4</sup>

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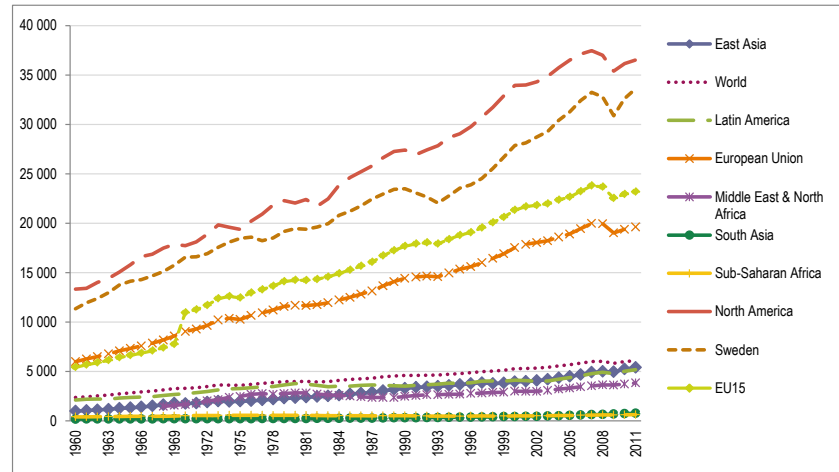
<sup>2</sup> Braunerhjelm et al., 2009, p. 15.

<sup>3</sup> World Development Indicators (WDI). Refers to 2000 prices.

<sup>4</sup> World Development Indicators (WDI).

The UNDP's 2011 Human Development Index studied 135 countries in which 92 per cent of the global population reside and found that human development had increased in 132 of them between 1970 and 2010.<sup>5</sup> The proportion living on less than USD 1.25 per day had declined from 43.1 per cent to 22.4 per cent between 1990 and 2008. Some 1.3 billion people are still living in extreme poverty, but over the past 20 years about half a billion people have been lifted out of the most extreme poverty.<sup>6</sup> This shows both that the problems are still substantial and that things are moving in the right direction, albeit far too slowly.

Figure 3.1 GDP per capita in different parts of the world 1960–2011



Source: World Development Indicators (WDI). USD at 2000 prices.

There are many explanations for this increase in economic prosperity. However, it is clear that globalisation and the attendant increase in free trade is an important factor.<sup>7</sup> Although globalisation limits the nation state's room for manoeuvre, there is broad agreement among economic scholars that increased free trade and the deregulation of trade barriers have led to greater prosperity both globally and in individual countries.<sup>8</sup> At the same

<sup>5</sup> UNDP, 2011, p. 23.

<sup>6</sup> <http://povertydata.worldbank.org/poverty/home>

<sup>7</sup> Braunerhjelm et al., 2009; Swedish Government Ministry Publication Series, Ds 2009:21; Mukherjee & Krickhaus, 2011.

<sup>8</sup> Braunerhjelm et al., 2009; Swedish Government Ministry Publication Series, Ds 2009:21; Bergh, 2009; Schön, 2012.

time, globalisation is affecting the economic and political balance between states and altering competitive conditions, production processes and the employment situation, a development that is particularly evident in the US and Europe.

Globalisation, however, is not just about economic prosperity. It is also about spreading democracy and human rights. According to the Freedom House ranking of political freedom, the number of 'free countries' has more than doubled since the beginning of the 1970s, from 44 to 90. The number of countries holding general elections, meanwhile, rose from 69 to 117 between 1989 and 2012 (see Chapter 7).<sup>9</sup> That more countries hold elections than the number classed as free is due to the fact that many of the former violate political freedoms and rights and limit democracy in practice. But viewed over a longer period, democratisation is one of the most important changes to have occurred during the second half of the 20th century and up to the present day.

There are several reasons why the number of democracies and free countries has increased. These include a higher level of education, greater prosperity and an emerging middle class that has been proactive in encouraging democratisation. Another reason is globalisation and the new communication technologies. They have made it easier to spread ideas across borders, while at the same time making it harder for countries looking to enhance their prosperity and competitiveness to maintain restrictions on political freedoms and rights and to isolate themselves politically. To some extent, this has also increased global homogeneity. A third and related explanation has to do with long-term aid and advocacy on the part of the outside world, coupled with demands for greater democracy and respect for human freedoms and rights. These are important parts of the political globalisation process. Many countries, however, still lack democracy and respect for human rights.

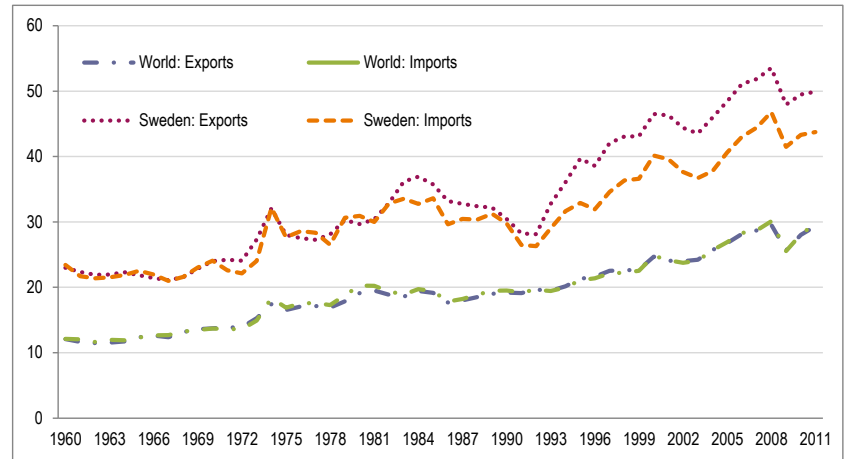
The method most commonly used for measuring the extent of globalisation is to study transboundary trade and investments, capital flows and migration. In the case of transboundary trade as a proportion of GDP, Sweden's export share increased from 23 to 50 per cent between 1960 and 2011, while its import share increased from 23 to 44 per cent. Globally, both exports and imports rose from 12 to 29 per cent during the same period (Figure 3.2).

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<sup>9</sup> <http://www.freedomhouse.org/report-types/freedom-world>

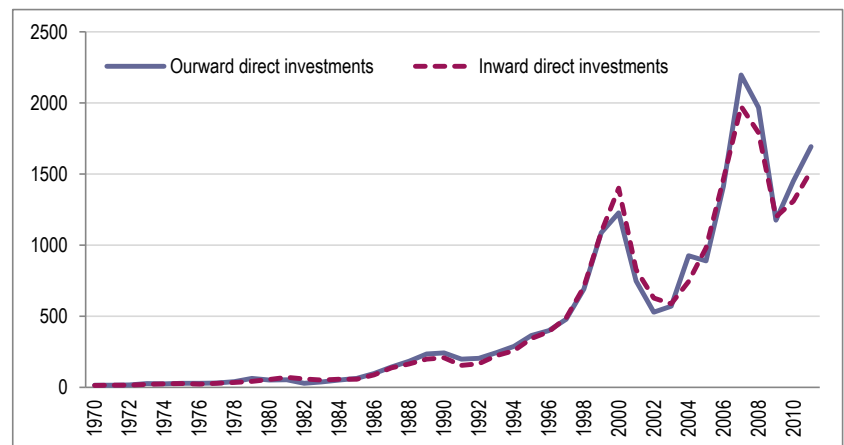
Another expression of this increase in economic globalisation is the rise in the value of foreign direct investment (FDI). This applies in particular at global level, where outward direct investment (net) increased from approximately USD 14 billion in 1970 to approximately 1 694 billion in 2011, while inward direct investment during the same period increased from about USD 13 billion to about 1 524 billion (see Figure 3.3).<sup>10</sup>

Figure 3.2 Exports and imports, Sweden and the world 1960–2010



Source: World Bank. Figures as percentage of GDP.

Figure 3.3 Inward and outward direct investment in the world 1970–2011



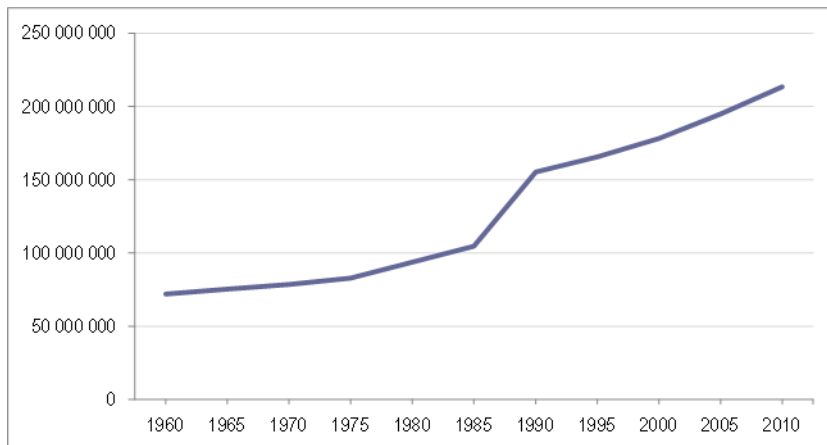
Source: UNCTAD. USD, current exchange rate.

<sup>10</sup> <http://unctadstat.unctad.org/>. See also Braunerhjelm et al., 2009; Bjorvatn et al., 2008.

In Sweden's case, the volume of both inward and outward direct investment has been more varied over time. Despite cyclical economic swings, the long-term trend in Sweden's case, too, has been increased direct investment. In 1970, net foreign investment in Sweden totalled USD 0.11 billion, while Swedish direct investment abroad totalled USD 0.21 billion. The corresponding figures in 2011 were USD 12.1 and 26.8 billion respectively.<sup>11</sup> In that year, Sweden had 14 041 foreign-owned companies with a total of 631 014 employees. Since 1980, the proportion of employees in foreign-owned companies has increased from 5 to 23 per cent of all employees in the business sector. Most of these employees, 67 per cent, worked in major companies where the majority owners are now foreign, including ABB, AstraZeneca and Volvo.<sup>12</sup>

A third indicator of increasing globalisation is rising migration. Globally, the number of people living in countries other than their country of origin has almost tripled in recent decades. The global population increased during the same period, however, and correcting for this, the share of migrants rose by about 30 per cent. In 2010, some 213 million people lived outside their country of birth (see Figure 3.4).<sup>13</sup>

**Figure 3.4 Global migration 1960–2010**



Source: World Bank.

<sup>11</sup> <http://unctadstat.unctad.org/>, USD, current exchange rate. Bjorvatn et al., 2008.

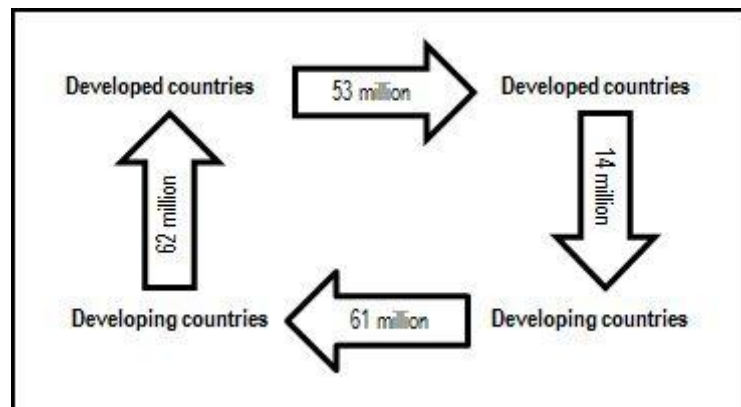
<sup>12</sup> Tillväxtanalys, 2012.

<sup>13</sup> <http://esa.un.org/migration/p2k0data.asp>

People who move to other countries do so primarily to escape war, oppression or disasters, to live with family members or to study or work (see also Chapter 6). Migration is both about people being forced to move on to other countries and about people moving away from their country of birth in search of a better life. Some of these migrants come from poor countries and make their way to richer ones, but there is also a growing global group of highly qualified people for whom national borders are less important than finding interesting jobs and working environments wherever these are to be found.<sup>14</sup>

Sometimes there is an impression that international migration mainly involves people fleeing or moving from poor developing countries to rich developed countries. In fact, however, migration between developing countries is almost as extensive, and migration between rich, developed nations is not far behind. A detailed analysis of global migration in 2006, for instance, shows that 61 million migrants moved from one developing country to another, while 62 million moved from a developing country to a rich, developed country (see Figure 3.5).<sup>15</sup>

Figure 3.5 Global migration patterns 2006



Source: UN, 2006; Goldin et al., 2011, p. 122.

<sup>14</sup> Goldin et al., 2011; NIC, 2012.

<sup>15</sup> Goldin et al., 2011, p. 122.



Moreover, most migrants stay in touch with their countries of origin, thereby contributing to greater inter-country integration and helping to boost prosperity in the countries they come from.<sup>16</sup> By the same token, Sweden gains international competitive advantages through foreign-born persons in the Swedish population maintaining links with their countries of origin. It is not money alone that crosses borders as a result of migration, however; at least as important is the fact that migration helps transfer ideas, expertise and innovation between countries. Sweden, for instance, was enormously helped by the return of some 200 000 of the 1.2 million citizens who migrated to the US between 1850 and 1930. Many of them brought back fresh ideas that paved the way for new, successful companies or that had an impact on values-based, civil society organisations in Sweden.<sup>17</sup> As a rule, the countries that migrants leave also benefit from migration, although poor countries may suffer a brain drain when skilled labour migrates to richer countries. Research suggests, however, that the negative effects of this are only short-term while the long-term effects are more favourable (see Chapter 6).<sup>18</sup>

Increased transboundary mobility is also evident in that international tourism, defined as expenditure on travel across borders, has increased dramatically over the past 15 years alone. Between 1995 and 2010, turnover from international tourism rose from USD 459 to 996 billion.<sup>19</sup>

Meanwhile, the rapid development of ICT has made it cheaper and simpler to communicate across borders. Today, an estimated 2 billion people have access to the internet, which corresponds to approximately 30 per cent of the global population. This means the volume has doubled since 2005.<sup>20</sup> There is of course a huge difference between a country like Sweden, where virtually everyone has access to the internet at work or at home, and a country like Somalia, where less than 5 per cent enjoy such access. For each passing year, however, more and more people are gaining access to the internet and cross-border communication is steadily becoming cheaper and simpler. In the future, virtually everyone can be expected to have access to the internet, as a result of things like smarter mobile phones with net connectivity. In developed

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<sup>16</sup> World Bank, 2011, p. 17; Goldin et al., 2011; NIC, 2012

<sup>17</sup> Henricson & Lindblad, 1995; Johnson, 2010.

<sup>18</sup> See Goldin et al., pp. 179–186; Swedish Government Official Report, SOU 2010:40.

<sup>19</sup> World Development Indicators (WDI).

<sup>20</sup> [http://www.itu.int/ITU-D/ict/statistics/at\\_glance/KeyTelecom.html](http://www.itu.int/ITU-D/ict/statistics/at_glance/KeyTelecom.html)

countries, almost everyone already has a mobile phone. In the least developed part of the world, i.e. Africa excluding the Arab states, the number of mobile phone subscriptions per 100 inhabitants has increased from 18 to 54 since 2006 alone.<sup>21</sup> In addition, many share mobile phones, so the number with telephone access has multiplied many times over since such phones were introduced. This has revolutionised opportunities for managing bank transactions, healthcare and agriculture around Africa.<sup>22</sup>

The KOF Index of Globalization represents an interesting attempt to measure the degree of globalisation using three separate indices. It defines globalisation as a process whereby borders gradually lose their importance and countries becoming increasingly integrated. The index covers such things as transboundary trade and investments (economic globalisation), the proportion of migrants, international tourism and ICT usage (social globalisation), the number of embassies, participation in international organisations and the signing of international treaties (political globalisation).<sup>23</sup> The index, which covers 60 countries in the period 1970–2009, shows that the world is becoming increasingly globalised. The same is true of Sweden, which in the latest ranking is ranked as the sixth most globalised country in the world.<sup>24</sup> The only countries ranked higher are Belgium, Ireland, the Netherlands, Austria and Singapore.

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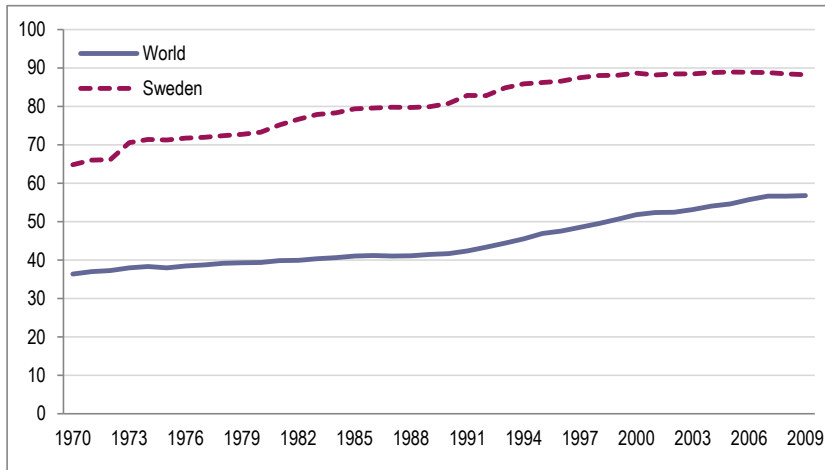
<sup>21</sup> [http://www.itu.int/ITU-D/ict/statistics/at\\_glance/KeyTelecom.html](http://www.itu.int/ITU-D/ict/statistics/at_glance/KeyTelecom.html)

<sup>22</sup> Ogunlesi, 2012.

<sup>23</sup> <http://globalization.kof.ethz.ch/>

<sup>24</sup> [http://globalization.kof.ethz.ch/static/pdf/rankings\\_2012.pdf](http://globalization.kof.ethz.ch/static/pdf/rankings_2012.pdf)

Figure 3.6 The KOF Index of Globalisation 1970–2009



Given the above, it is clear that globalisation has increased in recent decades. Nation states continue to be extremely important, but country borders now mean less than they used to, and globalisation affects virtually all areas of community life while at the same time reducing the scope for national policymaking. This is due not least to the development of ICT.<sup>25</sup> Globalisation's blanket impact on society is particularly evident in small countries such as Sweden, but no country has been left untouched. Large countries, too, such as the US and China, and regions such as Europe, are deeply affected by global flows of capital, information and people.

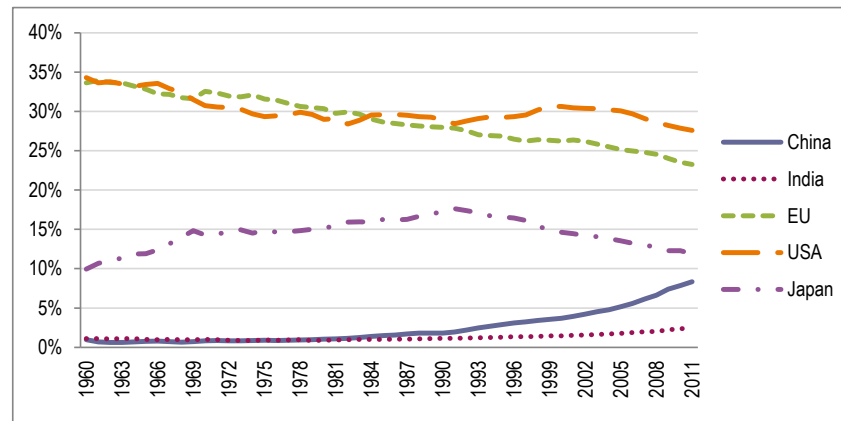
One of the principal effects of globalisation is increased global competition, with various countries and regions seeking to exploit their specific advantages. Countries seek to compete by focusing on the kinds of products and processes they are particularly good at – where they enjoy what are known as comparative advantages. In the case of countries with low levels of education and low wage costs, it seems most logical to compete by producing or assembling simple products. This makes it increasingly difficult for countries with higher levels of education and pay to compete in the same production sphere; instead, they are compelled to focus on products and services that require higher qualifications and capital input and have higher added value. An example of this can be

<sup>25</sup> Castells, 1998, 2000a, 2000b.

found in the Swedish textile industry, which until the 1970s was very extensive. Both those clothing companies that still remain and the new ones that have since arrived are keeping their design operations in Sweden, but have largely relocated the manufacturing process to countries where wages are lower and more competitive.

One of the most important changes concerns the increasingly important role of China in world markets. In 1960, China accounted for less than 1 per cent of global GDP, but between 2000 and 2011 alone this figure increased from about 3.7 to 8.3 per cent. Meanwhile, in the period 1960 to 2011, the US share of global GDP declined from about 34 per cent to just under 28 per cent, while the EU's share declined from about 34 to about 23 per cent (see Figure 3.7).<sup>26</sup> If price differentials between countries is taken into account, and the figures are based on GDP per capita corrected for purchasing power parity, China accounts for just over 14 per cent of global GDP and according to the International Monetary Fund will overtake the US as the largest economy in the world as early as 2017.<sup>27</sup> Over the past 20 years, annual growth in China has been at least 8 per cent and at most 14 per cent.

Figure 3.7 Share of global GDP 1960–2011



Source: World Bank. USD at 2000 prices.

<sup>26</sup> World Development Indicators (WDI). Refers to 2000 prices.

<sup>27</sup> <http://www.imf.org/external/pubs/ft/weo/2012/02/weodata/download.aspx>.

Based on USD per capita corrected for purchasing power parity, forecast in October 2012. See also Eklund, 2011b, p. 113.

Today, China is both the world's leading exporter and home to a wide range of global companies, and it acts as 'a global assembly plant'. About 60 per cent of China's exports of goods come from facilities operated by multinational companies there.<sup>28</sup>

Meanwhile, production in China is advancing from simple to increasingly sophisticated manufacturing as levels of education and wage costs in the country rise. China is moving up in the value chain, while at the same time simpler forms of production are beginning to be relocated to places like Vietnam and Bangladesh where wage costs are even lower. From a Swedish viewpoint, it is symbolic that Huawei, the Chinese manufacturer of telecom systems, overtook Ericsson in 2012 as the world's largest company in this field.<sup>29</sup> It is also one of the companies that have taken out the largest number of patents in recent years.<sup>30</sup>

This serves to illustrate the dynamic nature of global competition. Low-wage countries are outcompeting high-wage countries in the production of simple products. To compete, countries with higher wages are having to improve their productivity while at the same time realigning their production so as to focus on more advanced products and on services and service products that require a physical presence. If they fail in this, or if wages rise faster than productivity in relation to those of their competitors, they risk stagnating and having to shed jobs. As low-wage countries grow richer, wages rise and with them the costs of production, which in turn requires an increase in productivity and a shift to more advanced production. This opens up new opportunities for countries with even lower wages. If they are successful, yesterday's low-wage countries can develop into medium-wage or high-wage countries, while new low-wage countries take their place in the global markets. If today's high-wage countries do not constantly renew themselves and improve productivity, they risk losing ground globally. Increased digitisation and automation of production, however, may create opportunities for moving production 'home' from low-wage countries in the future.<sup>31</sup>

Although the globalisation discourse tends to focus on countries, it is important to remember that competition is ultimately about companies and individuals. Companies can

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<sup>28</sup> Eklund, 2011b, p. 92.

<sup>29</sup> The Economist, 4–10 August 2012.

<sup>30</sup> Braunerhjelm et al., 2012, p. 19

<sup>31</sup> The Economist, 19–25 January, 2013.

increasingly locate the whole or parts of their operation wherever the potential for success is greatest, while at the same time individuals are increasingly able to choose where they wish to live and work. This applies in particular to high-educated individuals with skills that are particularly attractive to employers – what Robert Reich calls ‘symbolic analysts’ and what Richard Florida calls ‘the creative class’.<sup>32</sup> Here, globalisation has helped to form a growing cosmopolitan group of people, including business leaders, senior officials, academics and practitioners in creative occupations, for whom national borders mean less and less. This is one of the reasons why equality within countries has declined. Labour, money, technology and ideas are crossing borders and jobs are moving to wherever they can be performed best or at the cheapest cost.

The world has shrunk and people no longer as a matter of course operate a business or live and work in the country they were born or grew up in. This has made for stiffer competition and at the same time opened up new opportunities for nations, companies and individuals alike. Greater openness and stiffer competition are two sides of the same coin. While this limits individual countries’ room for manoeuvre, it has increasingly compelled those wishing to succeed to develop a political, social, cultural and economic climate that is capable of attracting both companies and individuals.<sup>33</sup> Here, past triumphs are no guarantee of future success.

These processes place considerable demands on individuals, companies and nations alike, and although increased free trade leads to increased prosperity in the long term, there are both winners and losers in the shorter term. When jobs move abroad, there are often calls for the introduction of political measures such as tariffs and trade barriers to protect their country and its business sector. While the benefits of globalisation, such as lower prices and higher productivity, tend to be shared among a large number of individuals, a more limited group shares the costs. Consequently, individual costs when jobs or companies disappear through being eliminated or through moving their production elsewhere may seem greater than the individual benefits. Under pressure from domestic opinion, countries often seek to gain the greatest possible

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<sup>32</sup> Florida, 2012; Reich, 1994; Castells, 2000, 2001.

<sup>33</sup> Braunerhjelm et al., 2009; Swedish Government Ministry Publication Series, Ds 2009:21; Florida, 2012; Castells, 1998, 2000b.

access to other countries' markets without having to open up their own markets to the same extent. As a result, globalisation is always accompanied by the risk of setbacks in the form of greater protectionism and nationalism. It has happened before: in the period 1860–1913, the world experienced far-reaching globalisation that only ended with the outbreak of the First World War. Meanwhile, globalisation is also helping to spotlight important questions about how the relocation of production to low-wage countries where human and union rights are not respected and the working environment is much worse affects the people living and working there.

In Sweden's case, research shows that historically this small, export-dependent country has been among the beneficiaries of globalisation,<sup>34</sup> and estimates show that by 2050 the contribution of globalisation to GDP may be as much as 25 per cent. This would be due to factors such as increased trade, increased productivity, increased immigration, increased growth and the fact that globalisation leads to additional investment in education.<sup>35</sup> A crucial question for the future, however, is whether Sweden will be able to continue influencing the course of events and exploiting the opportunities that globalisation affords. Here, Sweden will face both new and renewed challenges in the decades to come.<sup>36</sup>

## Technological development

Technological development, along with broader scientific, ethical and cultural advances, is one of the principal driving forces in human development. Without it, we would still be living much as we did millions of years ago. Innovation and technological development determine how we clothe ourselves, how our food is produced, packaged, stored and cooked, and how we live. They also determine how we move around and how we transport goods. They determine how we communicate and consume. They determine how culture is produced, distributed and consumed, and by whom. They determine how and where we work and what we work on. Neither democracy nor

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<sup>34</sup> See Braunerhjelm et al., 2009; Swedish Government Ministry Publication Series, Ds 2009:21; Calmfors, 2008; Bergh & Henrekson, 2012.

<sup>35</sup> Bjorvatn et al., 2008 p. 13.

<sup>36</sup> See also Braunerhjelm et al., 2009; Swedish Government Ministry Publication Series, Ds 2009:21; Bjorvatn et al., 2008; Invest in Sweden, 2009; Bergh & Henrekson, 2012; Edling, 2010.

the market economy would have been able to develop as they have without technological gains.

Technological advances combined with our curiosity and desire for improvement is what has made human development possible up to the present day.

All such development, however, is a result of interaction between technology, politics, the economy, academia, civil society and private individuals. This makes it difficult to identify causes and effects and to determine what consequences various forms of technological development may have. One example of this is globalisation. Simpler and cheaper cross-border travel and communication have driven technological advance, and development in the business and academic sectors is now increasingly pursued in more or less loose-knit, cross-border networks. At the same time, the extensive globalisation of recent years would not have been possible without technological development, especially in the IT field but also in the transport sector. Globalisation is both a consequence of technological development and a cause of further advancement.

While technological development is crucial to the future, there are few things that are as difficult to predict as the course it will take. This is in the nature of things: if the technologies were known today they would not be a part of future technological development. However, it is also the case that new technologies become successful only if they meet social needs, the manifestations of which may in turn be shaped or reshaped by the technologies themselves. The aims and ideas behind the development of new technologies is one thing – how they are used and what consequences they have are another. It is said, for example, that upon first seeing a telephone, US President Rutherford B Hayes commented to Graham Bell: “That’s an amazing invention but who would ever want to use one of them?”<sup>37</sup>

The internet is a prime example of the difficulty of predicting developments in the technological sphere and their consequences. The idea of a global network of computers able to communicate with one another was conceived in the early 1960s. The Cold War was in full swing and it was feared that a Soviet attack might put the US communication system out of action. The US Department

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<sup>37</sup> <http://www.elon.edu/e-web/predictions/150/1870.xhtml>



of Defence's Advanced Research Projects Agency (ARPA) was therefore anxious to develop a system of communication that could not be taken out in the event of a nuclear attack. Seven years would pass, however, before an initial communication system, the ARPAnet, managed to send the first message from one computer to another, and it was not until 1972 that the first e-mail message was dispatched.

During the 1970s, microprocessors and personal computers were developed, in itself a revolutionary development. Not until the late 1970s, however, did it become possible for all connected computers to communicate with one another, via the TCP/IP technique. This development transformed the internet into a worldwide network of computers. During the early years, it was mainly used by researchers, students and enthusiasts to send messages and files to one another, and it was not until 1991 that the World Wide Web was introduced. The first user-friendly web browser arrived a couple of years later, in 1993. It enabled users to see words and images on the same page and to navigate to other pages by clicking on hyperlinks. When the US Congress subsequently decided that the internet could be used for commercial purposes, development was rapid.<sup>38</sup>

Over time, something which was developed at the initiative of – and with crucially important funding from – the US military in order to secure the country's communication set-up in the event of war, has revolutionised the entire fabric of society. ICT is by far the most important factor both in the transition from an industrial society to an information society and in the globalisation trend of recent decades. In developed countries it is now an integral part of all cultural, social, economic and political processes.

Not even those who helped develop the internet, however, could foresee the impact it would have and the ways in which it would be used.

The observation that technology is developed for a specific purpose but used for others is not unique to the internet, and the internet is not the only project that was initiated by the military but which subsequently had a major impact on the community at large. The computer, the GPS system and freeze-drying were also developed with military applications in mind.

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<sup>38</sup> See inter alia Castells, 2001, 2009; Leiner et al., 2012.

This illustrates the impossibility of knowing today what we will not learn until tomorrow. Discussions on future technological challenges, therefore, tend to be speculative. However, extensive research and development is under way around the world and, based on progress so far, it is possible to draw at least a rough picture of some likely trends in the years to come.

*Continued digitisation and development of ICT*

One of the most important development trends, as noted earlier, is the advance of information and communication technologies. The emergence of increasingly powerful microprocessors, personal computers and global communication networks has been described as an industrial revolution on a par with the mechanisation and development of steam power in the late 18th century (the First Industrial Revolution) and the development of electricity and combustion engines at the end of the 19th century and the beginning of the 20th (the Second Industrial Revolution).<sup>39</sup> If the ability to extract and access energy was what largely drove economic development and productivity in the industrial society, what drives development, prosperity and productivity in the information society is instead “the technology of knowledge generation, information processing and symbol communication”.<sup>40</sup> Knowledge, culture, creativity and innovation have thereby become even more important.

Information technology has broken down geographical distances and integrated the world in global networks and flows. It has also broken down distances in time and increased simultaneity. This ICT-driven paradigm shift has changed the way goods and services are designed, produced and distributed. It has changed the collection, dissemination and consumption of every conceivable type of information. It has changed the way organisations are structured and has led to the emergence of new net-based organisations and increasingly decentralised organisational forms. It has impacted on democratic processes by for instance enhancing transparency and enabling interactive, two-way communication. Globally, it has changed the education system. Distance learning has become increasingly common as a supplement or a replacement to

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<sup>39</sup> Castells, 2001; Schön, 2012; The Economist, 21–27 april 2012; Anderson, 2012.

<sup>40</sup> Castells, 2000, p. 40.

traditional forms of teaching. It has also changed healthcare by making possible remote diagnoses and operations and by making guidance and counselling more readily available via the internet. The amount of available information and the difficulty of controlling it have resulted in the emergence of a culture where many expects information, services and products to be free, and in which copyright has become an increasingly burning issue. It has affected the cultural landscape and cultural consumption and broken down the distinction between cultural producers and cultural consumers. The ever-growing volume of information and the growing number of channels of information and cultural creativity, meanwhile, have made it increasingly difficult for people to determine the reliability and validity of information being disseminated at various levels of society. It is not only the volume of reliable information that has grown but also the volume of factually wrong or misleading information.<sup>41</sup>

ICT has also affected how we lead our daily lives and communicate with friends and acquaintances. Here, e-mail and social media are just two examples of how much easier it has become to keep in touch. However, net anonymity and the fact that destructive and offensive messages can be disseminated rapidly and widely create new problems. With the continued advance of ICT, the question of how to deal with privacy and citizen surveillance issues will become an even more important challenge.<sup>42</sup>

Development has been rapid, as summed up by Moore's Law, which states that the number of transistors on a computer chip will double approximately every two years.<sup>43</sup> Today, an iPhone possesses more computer power than Apollo 11 did when it landed on the moon. For someone who has grown up in the 21<sup>st</sup> century, it is almost impossible to imagine a world without computers, e-mail, the internet and mobile phones, or to conceive of a time when it was difficult to get hold of people. This shows not only that ICT has grown in importance but also that it has become an increasingly integral part of various processes. At the same time, it has become more and more invisible. It is increasingly taken for granted and blends imperceptibly into more and more processes. This applies to everything from organisational structures or how

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<sup>41</sup> Kovach & Rosenstiel, 2010; Mohammed, 2012.

<sup>42</sup> Karlsten, 2013. Snickars & Strömbäck, 2012.

<sup>43</sup> Castells, 1998; <http://www.intel.com/content/www/us/en/silicon-innovations/moores-law-technology.html>.

cars or refrigerators work to systems for electricity, telecommunications, water and heat supply.

In the decades to come, we can expect information technologies to become more powerful, more closely integrated into processes, increasingly interconnected and wirelessly communicative, and we can expect that what used to require a physical presence will increasingly be achievable at a distance with the aid of ICT. Whether individuals, companies or nations, we can expect to become increasingly dependent on information technologies and on digital networks. This development is likely to awaken both new and renewed questions about what it is sensible and appropriate to do at a distance through the use of ICT – but also about how people, organisations and activities might be affected by increasing dependence on such technologies and by less physical presence and proximity.

#### *Increased automation and digitisation of manufacturing processes*

A further example of the key importance of ICT is the growing automation and digitisation of production processes. Traditionally, manufacturing processes have largely involved making and assembling a range of different parts and components into new products. Much of the production cost is wage-related. The products are designed in one or more locations, usually where the company has its home base or in networks, while the manufacture of components is increasingly relocated to specialised subcontractors wherever manufacturing is most efficient and wage costs are lowest. The components are then transported to special assembly plants where they are turned into finished products. From there, they are dispatched to the consumer markets. The more standardised the products, the simpler and cheaper they are to produce.

This is now changing. For example, an increasing part of the process of manufacturing and assembling products is now done with the aid of increasingly advanced industrial robots. Work productivity has increased dramatically as a result. One of many practical examples is the Nissan factory in Sunderland in the UK, which boosted its annual car production per employee from 59 to 88 between 1999 and 2011.<sup>44</sup> Another example is Philips in the

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<sup>44</sup> The Economist, 21–27 April 2012.

Netherlands, which instead of employing hundreds of workers to manufacture its shavers has 128 robots. By comparison with its factory in Zunghai, China, Philips in the Netherlands needs only a tenth of the workforce to produce the same amount.<sup>45</sup> Thanks to digitised production, fewer and fewer employees can produce more and more. At the same time, this has reduced the wage-related share of production costs and placed greater emphasis on employee skills, which in turn has meant that it has become less profitable to move production to low-wage countries. In fact, an increasingly conspicuous trend is that companies are beginning to move their production home from countries like China because digitisation and automation have made home production cheaper and more efficient. Moreover, transport costs are greatly reduced and the company is closer to the market and can adapt to it more rapidly.<sup>46</sup>

Perhaps the foremost example of the digitisation of production processes and the Third Industrial Revolution is the development of what is known as additive manufacturing.<sup>47</sup> Put simply, this involves the use of 3D printers capable of printing out three-dimensional physical products that are copies of their digital equivalents. The product you wish to manufacture – or print out – is first produced in a three-dimensional digital drawing, or a file is downloaded. It is then sent to the 3D printer, which ‘prints out’ the product. Physical products made of plastic, glass, titanium and other metals are already being produced in this way. It is now possible to print out complete, fully functional adjustable spanners, screws and spare parts of various kinds, shoes, toys, jewellery, implants such as hip joints and shoulder joints, turbine blades for aircraft engines and even simple types of live tissue such as skin and blood vessels.<sup>48</sup> Experiments are also under way to print out body parts of various kinds.

As yet, this technology is relatively new and expensive, but it is developing rapidly and is expected to become cheaper and to have a growing impact in various areas.

The consequences are likely to be very considerable.<sup>49</sup> Transport needs and costs can be reduced as goods can be produced in the

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<sup>45</sup> Markoff, 2012a.

<sup>46</sup> The Economist, 19–25 January, 2013.

<sup>47</sup> The Economist, 21–27 April, 2012; Anderson, 2012.

<sup>48</sup> The Economist, 21–27 April 2012; [http://en.wikipedia.org/wiki/3D\\_printing](http://en.wikipedia.org/wiki/3D_printing); Diamandis & Kotler, 2012, p. 68; McCue, 2012; Bartholomew, 2012.

<sup>49</sup> The Economist, 21–27 April, 2012; The Economist, 19–25 Januari, 2013; NIC, 2012; Anderson, 2012.

areas where they will be used. It is also hoped that material consumption will diminish when raw material wastage becomes less extensive. Another consequence is that product development is speeded up, since the 3D printer makes it easier to print out and test prototypes. It could also become easier to copy products. If so, fresh questions will be asked about copyright, just as digitisation made it easier to copy music and films, thereby posing a challenge to these industries.<sup>50</sup>

As a result of these and other consequences of increased digitisation in production processes and the development of 3-D printers, established business models and production chains may be increasingly challenged. However, it is impossible to know exactly what form the changes will take, just as in the 1970s it was impossible to know what the development of personal computers might lead to, or as in the late 1980s it was impossible to know what the development of the internet would mean. When new technologies emerge, their importance tends to be underestimated at first, and then overestimated when they begin to have a greater impact. However, expectations regarding a given technology are not always fulfilled, even when there is initial promise.

One thing is certain, however, and that is that automation, robotisation and digitisation in production processes will continue, and that this will generate new opportunities and new challenges for individuals, companies and nations alike. A key task for Sweden, therefore, is to keep a close eye on technological progress and to be at the forefront of developments.

#### *Continued development of advanced medical technology*

Another field in which we can expect further advances is medical technology and treatment. Needs in this area are unquestionably enormous. The World Health Organisation (WHO) estimates that 57 million people died in 2008. Of these, 36 million died as a result of diseases that are infectious or communicable. Foremost among them were heart and vascular diseases (48 per cent), cancer (21 per cent), pulmonary diseases (12 per cent) and diabetes (3.5 per cent). The primary causes of these diseases are tobacco consumption, unhealthy food and physical inactivity, obesity and alcohol abuse.<sup>51</sup>

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<sup>50</sup> The Economist, 1–7 December 2012.

<sup>51</sup> WHO, 2012, pp. 34–38.

The most common lethally communicable diseases are malaria, tuberculosis and HIV/AIDS.<sup>52</sup>

In the case of non-communicable diseases, the WHO expects the number of deaths to increase from 36 million in 2008 to 55 million in 2030. The main reason is that people are living longer, while trends in terms of obesity, unhealthy food, physical inactivity etc are pointing in the wrong direction. Between 1980 and 2008 alone, the proportion of obese members of the global population doubled.<sup>53</sup> Meanwhile, the number of people aged 20–79 suffering from diabetes increased from 30 million to about 370 million between 1985 and 2012. By 2030, this figure is expected to rise to 552 million. The number of deaths from diabetes is expected to increase by two thirds in the period leading up to 2030.<sup>54</sup>

The rise in age will be accompanied by a rise in health problems and in the numbers with multiple diagnoses. In Sweden today, about 350 000 people have some form of cancer, about 180 000 have some form of dementia, about 200 000 suffer from symptomatic heart failure, and between 400 000 and 700 000 have some form of chronic pulmonary disease.<sup>55</sup> Since many of these illnesses are linked to ageing and the negative trends for obesity and unhealthy lifestyles, they are likely to become even more common in the years to come.

While ill health is affecting increasing numbers of people, more and more people can now be treated.<sup>56</sup> The death rate from diseases such as HIV and cancer has declined dramatically, and it is quite possible that cures will be found both for these and for other serious, life-threatening diseases. Here, the development of new medicines and methods of treatment are of decisive importance, and given current health trends and an ageing population, the need of and demand for new medicines and treatments will be very extensive, while at the same time private individuals will probably have to take greater responsibility for their own health.

An important element in the future development of medical technology will be a combination of advances in ICT, material

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<sup>52</sup> WHO, 2012, p. 83. Figures refer to 2010.

<sup>53</sup> WHO, 2012, p. 36.

<sup>54</sup> <http://www.who.int/mediacentre/factsheets/fs312/en/index.html>;  
<http://www.idf.org/diabetesatlas/5e/the-global-burden>; Palmgren, 2013.

<sup>55</sup> Beck-Friis, 2013.

<sup>56</sup> For medical progress in the past, see the New England Journal of Medicine, Special Anniversary Articles.

technology and biomedicine.<sup>57</sup> Using surgically inserted computer chips, it is already possible to strengthen the body's nerve signals and, for instance, restore the hearing of some groups of deaf, while before long it will also be possible to use artificial corneas or implants to restore people's sight or correct certain types of paralysis. It is already possible to grow cartilages, windpipes, blood vessels, skin and synthetic blood for implanting.<sup>58</sup> A growing number of medical procedures can also be carried out remotely, and robots can perform even fairly advanced surgical operations nowadays.<sup>59</sup>

Meanwhile, progress is continuing both on gene therapy and on personally customised implants and medical treatments. This will make for increasingly individualised forms of treatment.<sup>60</sup> We will for instance be able to store increasing amounts of our medical data on our telephone and thus carry around our own medical journals. With the aid of sensors in real time we will also be able to scan and save increasing amounts of information about our medical condition. There are already ultra-thin, flexible sensors capable of taking readings that can either be attached to the skin or implanted. They can record everything from the pulse rate to the calorie consumption and blood count.<sup>61</sup> Advances in gene therapy are not only altering methods of treatment but are also making it possible to provide foetal and disease diagnoses, with all this entails in the way of ethical dilemmas and the risk of abuse.

Besides the strictly medical forms of treatment, performance-enhancing and cosmetic procedures have become increasingly popular. In the US alone, more than 11 million cosmetic operations are carried out every year. Various substances that improve physical or mental performance are also expected to become more popular, as is genetically modified (GM) food.<sup>62</sup>

However, new treatments often cost more, especially in the beginning. A course of treatment designed to stop the spread of skin cancer, for instance, may cost several thousand Swedish kronor for a single patient. The greater the advances in medical technology, however, the more lives can be saved or prolonged. By

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<sup>57</sup> Teknisk Framsyn, 2000; Jones & Dewing, 2011, pp. 48–79; Ennart, 2013.

<sup>58</sup> Illustrerad vetenskap no. 14, 2012; Ennart, 2013.

<sup>59</sup> Diamandis & Kotler, 2012, chapter 15.

<sup>60</sup> Markoff, 2012b; Haugaard Nielsen, 2012; Ennart, 2013.

<sup>61</sup> Time Magazine 27 August, 2012; Time Magazine 17 September, 2012; The Economist, 1–7 December, 2012.

<sup>62</sup> Jones & Dewing, 2011.



the same token, demands for access to these treatments will increase, as will the financial costs – while at the same time costs in the form of human suffering can be reduced and the socioeconomic benefits may be considerable. Another consequence of the demographic trend is that the longer people live – partly as a result of advances in medical technology – the greater the number that will contract age-related diseases of one kind or another. This will increase the pressure on treatment provision. Meanwhile, resistance to antibiotics is on the rise, which may cause serious setbacks in the fight against bacterial infectious diseases.<sup>63</sup>

Advances in medical technology will therefore lead to additional or more demanding challenges in the future. One prime task is to develop new and better treatments and methods in the fight against disease. Another challenge concerns the difficult ethical choices that will need to be made when a growing number of people can be saved but at a higher cost, when only limited resources are available. A third challenge concerns the ethical issues raised by the increasing replaceability of body parts. These issues are further complicated by the often unclear distinction between procedures undertaken for medical reasons and procedures undertaken for cosmetic reasons or to enhance performance. A fourth challenge – also of an ethical nature – concerns what will be technically feasible when life is to begin, e.g. the possibility of ‘designing’ children genetically. A fifth challenge stems from the fact it is now easier to map our genes and make diagnoses based on them. What it is possible to do and what is appropriate or ethically justifiable is not the same thing.

#### *Continued development of environmental technologies*

One of the foremost future challenges concerns the fight against global climate change and the over-exploitation of the earth’s resources. The task will involve for instance stopping emissions of greenhouse gases, securing ecologically sustainable food production and producing energy in an environmentally acceptable way. It will also involve finding better ways of valuing natural capital and ecosystem services of various kinds. These challenges will be examined more closely in the next chapter, but they cannot be successfully met without further technological development.

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<sup>63</sup> Beck-Friis, 2013; World Economic Forum, 2013.

Although the challenges are considerable, there is reason for optimism. Innovations are often driven by a combination of four key forces: curiosity, fear, a desire to earn money and a desire to do well.<sup>64</sup> A reasonable inference is that all these motives are reinforced by awareness of the challenges that the world faces and of the need to ensure that production and consumption become more sustainable.

Globally, electrical power production contributes most to carbon emissions, followed by emissions from the transport sector, the industrial sector and the housing sector.<sup>65</sup> Today, two thirds of the world's electricity is produced by the burning of fossil fuels such as coal, fossil gas and oil.<sup>66</sup> A major task, therefore, is to reduce the use of fossil fuels, to make energy use more efficient and to increase the share of energy derived from sources that do not produce carbon emissions. An extensive research and development effort is under way to this end. Not least of the tasks is the development of renewable sources of energy such as biofuels, hydroelectric power, wind power and solar power. In 2010, 20 per cent of the world's electricity production came from renewable energy sources. That share is expected to increase to 31 per cent by the year 2035.<sup>67</sup> Today, solar power is the fastest growing source of renewable energy.<sup>68</sup> Crucial to the future of solar energy, however, is the need to develop more advanced technologies for capturing and storing it and a continued reduction in the relative cost of producing it. Here, technological advances, along with increased volumes, will be of fundamental importance in the search for a more sustainable type of energy production. The same applies to the continued development of wind power and hydroelectric power.<sup>69</sup> Research is also under way into the development of techniques for producing wave power, for instance off the Swedish west coast.<sup>70</sup> Globally, nuclear power will continue to play an important role in energy supply.

Reducing emissions from the transport sector is a particular challenge. The volume of emissions will depend on how much we drive our vehicles, on energy use per kilometre and on the

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<sup>64</sup> Diamandis & Kotler, 2012, pp. 217–218.

<sup>65</sup> Swedish Environmental Protection Agency, 2012a.

<sup>66</sup> IEA, 2012.

<sup>67</sup> IEA, 2012.

<sup>68</sup> <http://www.iea.org/topics/solarpvandcsp/>.

<sup>69</sup> <http://www.iea.org/topics/>; Diamandis & Kotler, 2012, chapter 13.

<sup>70</sup> <http://www.iea.org/topics/oceanenergy/>;

<http://www.el.angstrom.uu.se/forskningsprojekt/WavePower/Lysekilsprojektet.html>

proportion of fossil fuels. Even if public transport expands, global road traffic will in all probability continue to increase in the future.<sup>71</sup> If emissions are to be reduced, the development of hybrid and electric cars must continue. Another possibility is cars that run on hydrogen. Depending on how the power is produced, electric cars release much less carbon dioxide than petrol-fuelled cars. The problem is the batteries and the limited distances that electric cars can travel. Extensive efforts are under way to develop lighter and more powerful batteries.

The development of biofuels can also be expected to continue. Today, biogas, ethanol and biodiesel made chiefly from rapeseed, maize or palm oil are the dominant fuels in the transport sector. At the global level, however, these all have major drawbacks, not least because their production may crowd out food production or because large amounts of water and land are required.<sup>72</sup> In Sweden, a second-generation biofuel has been introduced, made from forest residuals. A good basis has been established for the further development of fuels sustainably extracted from forest raw materials. A great deal of research is also under way on the development of genetically modified algae as a source of biofuel, which potentially offers a much more efficient solution in terms of production. Theoretically, the same surface area used to produce maize for biofuel production could generate several hundred times as many litres if it was used to produce genetically modified algae.<sup>73</sup>

In the case of technologies for the production of low-fuel engines, better electric cars and better biofuels, the pace of development will impact significantly on our chances of transforming the transport sector.

Another task is to develop better and smarter systems for storing and distributing electricity. Today, large amounts of electricity are lost in distribution while at the same time large amounts are being squandered as a result of lights being left on when there is no-one in the room. Work is under way in this area on the development of smarter systems for electricity storage and distribution and what are termed smart grids. Just as the internet linked computers in a global communication network, smart grids could theoretically link together different electrical products and design them to keep users informed at all times of the exact

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<sup>71</sup> See for instance <http://www.trafikverket.se/kapacitet>.

<sup>72</sup> Batista, 2012.

<sup>73</sup> Diamandis & Kotler, 2012, chapter 13.

amount of electricity required. Connected sensors would keep track of which products were being used and whether there was anyone in the room. Just as computers, mobile phones and the like go into sleep mode when not being used, other electrical products could automatically do the same.<sup>74</sup> This would save significant amounts of energy.

A further crucially important area is food production. By 2050, the global population is expected to have increased to about 9.3 billion,<sup>75</sup> and by 2030 alone, demand for food is expected to increase by 35 per cent.<sup>76</sup> Meanwhile, an estimated 1.3 billion are living in extreme poverty. There is a considerable need, therefore, to boost food production and remodel it so that it becomes sustainable in the long term. The task before us is to feed people sustainably.<sup>77</sup>

Consequently, we can expect further development of both new and existing methods for producing food. They include the continued development of fish breeding. Already, about half of all the fish we eat come from fish farms, and that share can be expected to increase.<sup>78</sup> Fish farms are not, however, entirely problem-free from an environmental standpoint. Genetically modified food crops are also likely to become more widespread. Between 1996 and 2010, farm acreage with GM crops increased from 1.7 million to 148 million hectares. Besides the efforts under way to increase the extent of GM crop farming, efforts are also continuing to improve yields still further and to enable these crops to be grown in even tougher conditions. Another area under development is vertical farming, i.e. the cultivation of plants and food vertically in large greenhouses built like high-rise blocks, usually in urban areas.<sup>79</sup> It remains to be seen how widespread this type of farming will become in the future.

While the development of new food production technology is progressing in the search for more efficient and intensive farming, a partially different trend can be observed in richer countries in particular, with consumers demanding organic/ecological and small-scale local produce. It is vital that we take note of this trend towards diversification and food produced nationally or in the

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<sup>74</sup> Diamandis & Kotler, 2012, chapter 13.

<sup>75</sup> <http://esa.un.org/wpp/>. Refers to the medium forecast.

<sup>76</sup> NIC, 2012.

<sup>77</sup> Jonsson, 2013.

<sup>78</sup> Cressey, 2009.

<sup>79</sup> Diamandis & Kotler, chapter 9; <http://www.economist.com/node/17647627>

immediate vicinity, not least because of its effect on Swedish agriculture.

These are just a few examples of areas where technological development is pushing forward and asking ethical questions of us. It is clear that further technological advances will have a powerful effect on all levels of society. It is of paramount importance, therefore, that we keep a close eye on developments in this field and that we analyse their consequences and attendant challenges. It is also vital to establish a creative innovation climate that will enable Sweden and Swedish companies and researchers to contribute to further technological progress. We must also create the best possible conditions for further development in areas where this is crucial to the task of meeting other future challenges.

## **The challenges ahead**

Throughout history, greater globalisation and dependence on the outside world have always been perceived as either an opportunity or a threat, depending on one's perspective. The same tension can be found between the opportunities afforded by technological development and the potential drawbacks.

Historically, globalisation and technological development are closely linked, and the two are mutually reinforcing. The more freely ideas can flow across borders, the greater the potential for further technological advances, and this interaction has also helped to break down borders and bring countries, companies and individuals closer together. Both globalisation and technological development have caused the world to shrink, although distances between people have increased in certain respects when the need for physical presence is considered less important. Preconceptions have been turned on their head and for some the security of the familiar has disappeared and been replaced by an infinite range of opportunities, but also by insecurity.

What also unites globalisation and technological development is that both processes are mainly driven by a complex and unpredictable combination of technological, political, economic and social factors that are largely beyond the reach of national policy. Large countries like the US and China can have a considerable impact on technological development and globalisation but no country can control them on its own.

However, all countries must take a position on these two processes. This is true historically, it is true today and it will continue to be the case in the future. Some of the developments that globalisation and technological advance give rise to will in all probability prove troublesome, while others will open up new and valuable opportunities.

Globalisation has helped for instance to increase global prosperity, reduce poverty, spread democracy and human rights, and bring countries and people closer together. However, global inequality is increasing both within and between the countries of the world, and growing inequality within countries can be partly explained by globalisation.<sup>80</sup> The deregulation of international trade has helped to boost productivity but has also led to the elimination of certain types of production or caused them to be relocated to other countries. In some cases, moving production to countries with lower environmental and employment standards has exposed people to unnecessary risks and enabled companies to avoid bearing the full costs of their production.<sup>81</sup> Economic globalisation and the absence of global political institutions, meanwhile, have made countries more fragile and vulnerable to international recessions and financial crises.<sup>82</sup>

In other words, globalisation has both advantages and disadvantages. Sweden's future is closely dependent both on how successful companies and private individuals are in their efforts to grow and develop and on our ability to establish a creative and innovative environment that attracts and encourages those who wish to do so. In part, this has to do with the fact that globalisation has made both companies and individuals more mobile than ever, while competitive pressure has steadily increased. Future success, therefore, will necessitate constant renewal, development and entrepreneurship.

This applies at all levels of society. Although Sweden cannot be a world leader in all areas, it is imperative that we constantly hone our ability to compete, to be innovative, and to be quick to adopt new technologies and disseminate new knowledge and skills. Some instructive examples of this approach may be drawn from Sweden's history, where companies such as Ericsson, ABB, SKF, IKEA and H&M have led the world in developing new technologies and

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<sup>80</sup> UN, 2012a, p. 16.

<sup>81</sup> Fischer, 2012.

<sup>82</sup> Krugman, 2009.

products. Swedish innovations include the folding rule, the ballbearing, the adjustable spanner, the welding rod, the AGA beacon, the stapler, the coathanger hook, the Tetra Pak carton, car seat belts and the pacemaker.

These and other innovations have contributed to massive commercial successes over the years while at the same time creating hundreds of thousands of jobs, increasing Sweden's prosperity and improving people's lives in a variety of ways. In this connection, Sweden has benefited – and will continue to benefit – from being a country rich in diversity, tolerance, freedom and openness to new ideas and creativity, and from being a country with a relatively highly educated and skilled population.

While globalisation creates new opportunities for greater growth and prosperity, global competition and external pressure for change are increasing. Continued success, therefore, is dependent not only on keeping pace with developments and on ensuring that productivity remains high and that new innovations are created and disseminated. It will also call for considerable flexibility and adaptability. This applies both to Sweden as a country and to Swedish companies, organisations and individuals.

Technological development, too, has both its advantages and disadvantages and consequently entails challenges for the future. Looking ahead, it would be wonderful if new technologies were to emerge that could help boost future prosperity, bring people closer together, cure disease and restore sight, hearing and mobility to those with disabilities, increase food production, develop ecologically sound ways of producing and consuming goods and services, and develop more sustainable forms of energy production. The consequences of technological development, however, are often difficult to predict, and it tends to be accompanied by new and complicated practical and ethical issues. These may concern such matters as the way in which personal privacy and copyright are affected by further digitisation, how our perception of ourselves and of human dignity are affected as it becomes increasingly possible to replace body parts and modify bodily functions, how ecosystems will be affected in the long term by new or existing GM food crops, or whether or how the origins of living organisms can be owned.

Together, globalisation and technological development will transform both labour and competencies. Major challenges lie ahead. We need to pave the way for new job in new professions, industries

and sectors that we cannot yet fully envisage. Even if we do not know in detail what the future will look like, we know that the need for knowledge, skills, entrepreneurship, innovations and creativity is not going to decrease. Rather, it is going to grow.

“In 10 or 20 years’ time, we ourselves will be printing out the products on our own 3D printers. We’ll just pay for the digital file and the material. The cost of things like a pair of spectacles will fall dramatically.”

Johan Ronnestam, blogger in the Future Sweden Relay



# 4

## The challenges of sustainable growth





## 4 The challenges of sustainable growth

“The Sweden I want to live in has gender equality and job opportunities based on sustainable development.”

Alexandra, Spånga Upper Secondary School, from the Future Sweden project

### Introduction<sup>1</sup>

One of the most important tasks for the future is to ensure the development of a society that is sustainable in the long term. According to the UN’s World Commission on Environment and Development, also known as the Brundtland Commission, the term sustainable development refers to our ability to meet the needs of the present without compromising the ability of future generations to meet their own needs.<sup>2</sup> Thus sustainable development is a matter of securing freedom and opportunities in life across generational boundaries and – from a global perspective – across national boundaries.<sup>3</sup> In a broader sense, it is about the extent to which the decisions reached by public institutions are sustainable and robust in the long term.

Sustainable development is often discussed as though it only referred to ecological sustainability and as if the issue could be detached from other issues in society. If sustainable development is to be achieved, we must see and understand society as an integrated whole – as a political, social, cultural, ecological and economic ecosystem – in which the component parts are interlinked and

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<sup>1</sup> This chapter is based inter alia on the interim report on the challenges to sustainable growth undertaken as part of the Commission on the Future remit. See Hojem, 2013.

<sup>2</sup> UN, 1987. See also UN, 2012a; <http://www.regeringen.se/sb/d/1591>

<sup>3</sup> UN, 2012a.

affect and are affected by one another. It should also be viewed as an arena where the focus is on the prospects for individual growth and development.

One of many examples of this perception has to do with the relationship between economic growth and ecological sustainability. Historically and globally, it is a fact that economic growth has had an adverse effect on the environment. At the same time, the adverse environmental impact leads to a decline in value of the services that nature provides – known as ecosystem services – and an increase in the economic, social and health costs arising from these environmental problems. In the long term, this impacts negatively on economic growth. In addition, lack of economic growth cannot save the environment – it is one of the most important reasons why many countries cannot afford to invest in environmental protection.<sup>4</sup> Environmental degradation in the past has often been due to a lack of knowledge, and there is nothing to say that economic growth must by definition adversely affect the environment. Instead, the basic principle should be that ecological and economic sustainable developments are interlinked. Sustainable development presupposes a market economy, but also human rights and democracy.

Another reason why it is important to view society as an integrated whole is that ecological sustainability is not merely about the environment. It is also a matter of security policy, as shown both by the hunt for finite or scarce resources and the conflicts this gives rise to, and by the risk of instability resulting from climate change.<sup>5</sup> Moreover, the risk of large-scale population displacement in the wake of major natural disasters makes it a migration issue as well as a social and economic issue. In addition, future shortages of fish due to overfishing and reduced agricultural yields due to farmland depletion around the world make it a food supply and socioeconomic issue. By the same token, a decline in scarce resources pushes up the prices we have to pay for them, which also render this an economic issue with distribution policy implications. In an integrated global world, the effects may also have a powerful impact on relations between countries, which

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<sup>4</sup> UNDP, 2011.

<sup>5</sup> Ries, 2010; CNA, 2007.

makes the question of sustainable development a foreign policy matter as well.<sup>6</sup>

Thus not only does the concept of sustainable development embrace many different dimensions, these dimensions also interact. In seeking long-term sustainable development, we must see and understand the whole.

At the same, it is vital to remember that the future entails a high degree of uncertainty, for instance in terms of how the global economy and national economies will develop, of how ecosystems will be affected by a continuing rise in the global mean temperature, and of changes in the global balance of power. This uncertainty is sometimes related to what may actually happen, but it may also be about the pace at which changes of various kinds will occur and what the feedback effects may be, i.e. how changes in one part of the system may influence other parts. Different scenarios are often conceivable.<sup>7</sup>

Precisely because of this considerable degree of uncertainty, a society's economic, political, ecological and social resilience is of paramount importance, as emphasised for instance in World Economic Forum risk analyses. Resilience refers here to an ecological or social system's long-term ability to cope with change and develop further, and to its ability to withstand strain, and, in a post-crisis situation, restore important functions or return to a desired state of normalcy.<sup>8</sup>

This partly involves moving towards greener growth, which according to the OECD definition means growth that occurs within the bounds of what ecosystems can sustain and that allows natural assets to continue to provide the resources and environmental services on which our wellbeing relies.<sup>9</sup> This is also in line with the UN definition of a green economy, i.e. an economy capable of generating resources that improve human wellbeing and social equity while significantly reducing environmental risks and ecological scarcities.<sup>10</sup> This partly involves finding better ways of

<sup>6</sup> For discussions on how the issue of ecological sustainability impacts on economic development, security policy and other risks, see inter alia CNA, 2007; UN, 2012a; Ries, 2010; World Economic Forum, 2013; NIC, 2012; Hallding et al., 2013.

<sup>7</sup> NIC, 2012; Hallding et al., 2012.

<sup>8</sup> See for instance World Economic Forum, 2013; Martin-Breen & Anderies, 2011; <http://www.stockholmresilience.org/21/hem/forskning/vad-ar-resiliens.html>

<sup>9</sup> This follows the OECD definition: "The OECD defines green growth as a means to foster economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our wellbeing relies." See OECD, 2011b.

<sup>10</sup> <http://unep.org/greeneconomy/aboutgei/whatisgei/tabid/29784/default.aspx>

measuring and evaluating natural capital and ecosystem services, and of measuring growth in ways that take better account of natural capital consumption and the environmental costs incurred, and which may either complement or be integrated into traditional GDP.<sup>11</sup>

Achieving both sustainable development and sustainable growth constitutes a major challenge, at global and national level.

## The challenges of ecological development

For many in Sweden and other parts of the world, it may be difficult to envisage the challenges that lie ahead with regard to the need to achieve ecologically sustainable development. We cannot see or touch the higher concentration of greenhouse gases in the atmosphere, we don't notice the ongoing loss of biological diversity in our everyday lives, and we seldom experience with our senses the strains to which our ecosystems are being exposed. At the same time these are daily, ongoing processes that pose a challenge to global ecosystems. These processes have now reached a point at which a growing body of scientists argue that we are entering a new geological epoch.

Over the past 12 000 years or so, the human race has lived in what is known as the Holocene epoch, characterised by stable environmental conditions in which the global mean temperature has fluctuated only by a degree or two (C). This geological epoch helped shape the ecosystems on land and at sea that we humans use today. To quote researcher Johan Rockström, the “planetary environmental equilibrium” of the Holocene offered “the only thing we know that can support the world as we know it”.<sup>12</sup>

From a global perspective, it is perfectly clear that current trends are in many ways untenable in the long run.<sup>13</sup> There is also widespread agreement among experts that human activity has contributed to the steadily rising global mean temperature, and that global warming is one of the most important challenges for the future.<sup>14</sup> These shifts in climate – but also the lack of such resources as clean water, food and energy, and issues like poverty,

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<sup>11</sup> Eklund, 2009, 2011a.

<sup>12</sup> Rockström, 2013. See also Wijkman & Rockström, 2011; Eklund, 2009.

<sup>13</sup> Jackson, 2009; Stern, 2009; Rockström, 2013; World Bank, 2012.

<sup>14</sup> Eklund, 2009; Stern, 2009; Wijkman & Rockström, 2011; Randers, 2012; World Economic Forum, 2013; Farnsworth & Lichter, 2012.

lack of freedom and pandemics – are future challenges at global level that also affect Sweden, and which Sweden can influence.<sup>15</sup>

Moreover, looking ahead to 2050, it is estimated that the global population will have increased by 2.2 billion, total global GDP will have quadrupled, and the proportion of people living in urban areas will have increased from 50 to 70 per cent.<sup>16</sup> One anticipated consequence of this population rise and economic growth is a 40-per-cent gap between access to water and the demand for it.<sup>17</sup> Unless we find ways of disengaging economic growth from negative environmental and climate impact, the effects of such a development may be substantial. Among other areas, it could impact the climate, biodiversity, the marine ecosystems, water supply and future food supply.

At the same time, however, there are enormous opportunities here for improving prosperity. More people can leave poverty behind and satisfy their need of food, clothing, education, health and housing. Also, growing numbers will be able to consume goods and services in a totally new way. A world with a higher level of education and R&D funding offers a better chance of solving the global challenges we face. Our task, then, is to find ways of reducing negative environmental and climate impact and of ensuring that growth is sustainable, both ecologically and economically.

### *Climate change*

To date, one of the most negative results of human activity is the rise in the global concentration of greenhouse gases in the atmosphere to 395 ppm carbon dioxide equivalents (CO<sub>2</sub>e), from the pre-industrial rate of 280 ppm. At international policy level, the aim is to limit the mean global temperature rise over the pre-industrial mark to two degrees; if this is to be achieved, says the UN climate panel (IPCC), the concentration should not exceed 450 ppm.<sup>18</sup> Yet it is increasing by about 2 ppm every year. According to the IPCC, global mean temperature rose by 0.74 degrees between 1906 and 2005,<sup>19</sup> while emissions already released

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<sup>15</sup> NIC, 2012.

<sup>16</sup> FAO, 2009.

<sup>17</sup> McKinsey, 2009, p. 5. See also NIC, 2012; UN, 2012a.

<sup>18</sup> IPCC, 2007a, 2007b.

<sup>19</sup> IPCC, 2007a.

and lingering in the atmosphere are expected to cause further temperature rises in the coming decades. Meanwhile, Arctic melting reached new heights in 2012. Compared with 2004, the summer ice in the Arctic lost half of its mass.<sup>20</sup> This means that the white surface, which reflects the rays of the sun, is being replaced by a dark surface that absorbs them, which in turn leads to increased warming. Moreover, the ice has thinned, thereby increasing the risk of further melting.<sup>21</sup>

Thanks to advances in climate modelling techniques, the IPCC was able in its fourth report to estimate temperature changes and assess their probability, based on a range of emission scenarios. The assessment they carried out in 2007 indicated a probable rise in temperature of around 2–4.5 °C, with a best estimate of about 3 °C<sup>22</sup>. The UN climate panel is expected to present its fifth general report within the coming year, and it remains to be seen what forecasts it will contain. Whatever conclusions it draws, the report will have a very substantial impact on the ongoing discussion of climate change, past, present and future.

If the global mean temperature continues to rise in line with present forecasts, this could have a number of negative consequences, including altered patterns of precipitation, further melting of the Arctic ice and other land-based glaciers, higher sea levels, more frequent natural disasters, and the continuing loss of biological diversity. According to the Stern Report, named after its principal author, Nicholas Stern, the costs may amount to between 5 and 20 per cent of global GDP. By way of comparison, the costs of effective action to limit global warming are estimated at around 1 per cent of global GDP.<sup>23</sup>

### *Biological diversity*

One area in which human activity has had an adverse effect is biological diversity.<sup>24</sup> This has declined both due to species extinction, and shrinkage in the areas of distribution for many species. Numerous species are also either endangered or in a

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<sup>20</sup> <http://www.smhi.se/nyhetsarkiv/arktis-nya-bottennotering-3-41-miljoner-km-1.25001>; Rockström, 2013.

<sup>21</sup> <http://www.smhi.se/nyhetsarkiv/arktis-nya-bottennotering-3-41-miljoner-km-1.25001>; Rockström, 2013

<sup>22</sup> IPCC, 2007a, 2007b. See also OECD, 2012a, World Bank, 2012.

<sup>23</sup> See Stern, 2009.

<sup>24</sup> TEEB, 2008, 2010; Millennium Ecosystem Assessment, 2005.



vulnerable position. This is due not least to deforestation and the fact that increasingly large areas are being turned into farmland. Since the forest acts as an important carbon sink, this contributes to further climate change. The reduction in the extent of forested areas leads to a higher concentration of greenhouse gases in the atmosphere.<sup>25</sup>

Estimates show that between 20 and 40 per cent of natural forest has disappeared in the past 300 years.<sup>26</sup> While deforestation has more or less ceased in temperate forests and protection of natural forest has increased, the same is not true of tropical rainforest.<sup>27</sup> Natural forest depletion is particularly serious in view of the fact that biological diversity is much greater in natural forests than in managed ones. In this respect, tropical rainforests in particular are of crucial importance. Although they only cover about 7 per cent of the Earth's surface, they are home to more than half of all the world's species.<sup>28</sup>

The decline in biological diversity is a matter of grave concern, not merely in itself but also because it reduces resilience in the ecosystem. Species that spread pollen, for instance, are an important part of this system. If there are ten species of pollinators, the disappearance of one would not necessarily affect the ecosystem; but where there are only one or two species and they disappear, the impacts can be serious. Fewer species thus means greater vulnerability and diminished resilience.

### *Marine ecosystems and water supply*

Marine ecosystems and fishing have also been severely hit in recent decades. Since 1950, fishing has quadrupled. Today 30 per cent of stocks are being overfished while around 50 per cent are being fully exploited. The latter are yielding catches that are either close to the sustainable production limit or are already at that level. Consequently, there is no room for further expansion of catches, and there may even be a risk of reduced catches unless fish stocks are managed properly. Overfished stocks also result in yields below their biological and ecological potential. Stocks need to be strictly

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<sup>25</sup> OECD, 2012a.

<sup>26</sup> Millenium Ecosystem Assessment, 2005.

<sup>27</sup> FAO, 2012a.

<sup>28</sup> <http://www.wwf.se/vrt-arbete/regnskog/1127589-fakta-om-tropikskogar>; OECD, 2012a.

managed if full, sustainable productivity is to be restored.<sup>29</sup> We are also seeing a general reduction of marine biological diversity. Importantly, many of the world's coral reefs are now under threat.

Access to water and water supplies is also under severe strain, and this is expected to worsen in the future. It is estimated that demand for water will increase by 55 per cent in the period leading up to 2050. While it is true that the world is now on course to meet the Millennium Development Goal of halving the proportion of the population who lack access to safe water, 80 per cent of the global population still live in areas where the water supply is under threat.<sup>30</sup> Up to 2050, it is estimated that the number of people living in regions where demand for fresh water exceeds access will rise to 3.9 billion, from about 1.6 billion at the turn of the century.<sup>31</sup> Insufficient access to freshwater risks becoming a more important source of regional conflict and instability in parts of the world that are particularly vulnerable.<sup>32</sup>

### *Future food supply*

Food supply will pose a very severe challenge in the future. As a result of global population and welfare growth, forecasts show that total food production will need to increase dramatically, particularly in developing countries, where populations will grow fastest.<sup>33</sup> The task is made more difficult by the lack of vital agricultural resources. As noted, water is one of them. However, a shortage of phosphorus, used in fertiliser in the food production process, is also anticipated.

The challenge of securing future food supply is twofold. It involves increasing food production to cover future need, and ensuring that the food supply is sustainable in the long term. Today, it is estimated that about 25 per cent of cultivated land is badly degraded.<sup>34</sup> The aim is to sustainably feed a growing global population.<sup>35</sup> Starvation and malnutrition are on the decline but remain a global challenge, while welfare malaises such as obesity and food wastage pose a growing problem in richer countries.

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<sup>29</sup> FAO, 2012b.

<sup>30</sup> UN, 2012b; Millennium Ecosystem Assessment, 2005; OECD, 2012a.

<sup>31</sup> OECD, 2012a; see also World Bank, 2012; NIC, 2012; FAO, 2009.

<sup>32</sup> Office of the Director of National Intelligence, 2012.

<sup>33</sup> FAO, 2009, 2011; see also NIC, 2012; Foresight, 2011a.

<sup>34</sup> FAO, 2011.

<sup>35</sup> Jonsson, 2013.

Between 1961 and 2009, the amount of cultivated land in the world increased by 12 per cent while production rose by between 250 and 300 per cent. This was a huge improvement, and gives grounds for optimism about the prospects for a production rise of up to 70 per cent by 2050, which is what some observers argue will be needed to meet the rise in food demand.<sup>36</sup> The continued development of new, more resistant and productive crops will thus be vital, along with the development of more sustainable, resource-efficient and low-energy production methods, improvements in existing cultivated land and greater efficiency throughout the food production chain.

#### *Increasing occurrence of natural disasters and extreme weather*

Much of what has been discussed so far may not be noticeable in everyday life, especially in richer countries like Sweden. Only when severe natural disasters occur do environmental issues sometimes attract greater attention. Climate change, however, may be expected to bring about change in both climate and weather extremes. However, it is difficult to link specific events to a single cause such as climate change. On the other hand, a warmer climate may increase the likelihood of extreme events. For example, scientists have estimated that human impact on the environment more than doubled the probability that the warm European summer of 2003 would occur.

Furthermore, a warmer climate means that the consequences of extreme weather phenomena can be expected to worsen. The Government's Climate and Vulnerability Committee considers it highly likely that heat waves and heavy rain will become more common in the warmer climate of the future.<sup>37</sup> Higher sea levels could mean that the damage will be greater when storms and flooding occur. Rising mean temperatures and changes in precipitation patterns may exacerbate the consequences of drought.

Estimates of annual losses have varied since 1980, from a few billion US dollars to over 200 billion (in 2010 dollars).<sup>38</sup> The highest costs were incurred in 2005, following Hurricane Katrina, and, in 2012, in the wake of Hurricane Sandy. Loss estimates in

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<sup>36</sup> FAO, 2011.

<sup>37</sup> Swedish Government Official Report, SOU 2007:60.

<sup>38</sup> Guha-Sapir et al., 2004, 2012.

monetary terms are only a baseline since it is not easy to set a value on effects such as loss of human life, cultural heritage and ecosystem services. The impact on the informal economy and indirect economic effects may be highly relevant in some areas and sectors, but generally go unreported in loss estimates.<sup>39</sup> The economic and human effects of failing to take action are very considerable. The environmental disasters of recent years are a clear illustration of this, even though it is not possible to, with a high degree of certainty, attribute a particular extreme event to global warming.<sup>40</sup>

#### *Uncertainty in the forecasts*

This review of impacts on the environment and natural resources is not fully complete. The same applies to forecasts of how matters will develop in the period leading up to 2050 if no action is taken. Here, as in other areas, forecasts are highly uncertain and reflect both the various assumptions that forecasters make and the availability of relevant knowledge. A further factor is the question of to what extent and in which part of the world various effects can be expected to develop. Both now and in the future, some of the negative environmental effects will be primarily local or regional in character, while others will occur nationally and still others affect more than one country or may have consequences that extend across national boundaries.

It is precisely because of the high degree of uncertainty that it is essential to understand and strengthen the resilience of society, as noted in the introduction. Generally speaking, Sweden is among the countries that will in all probability be less directly impacted by climate-related changes etc. As part of the global community, however, we may nevertheless be indirectly affected. Sweden will thus not remain untouched by any direct effects of climate change, as the Climate and Vulnerability Committee report showed.<sup>41</sup> In both cases, the ability to cope with any changes that may occur and withstand stresses of various kinds is of key importance.

Both the fact that we are facing major challenges with regard to ecological sustainability and the existence of a high degree of

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<sup>39</sup> IPCC, 2012.

<sup>40</sup> World Bank, 2012.

<sup>41</sup> Swedish Government Official Report, SOU 2007:60.

uncertainty are illustrated by a model developed by an international team of researchers led by Johan Rockström. They have advanced the theory – published in the journal *Nature* – that there are certain sustainable limits to what the planet can cope with in the long term (planetary boundaries). Once these sustainable limits are exceeded, we enter a danger zone of uncertainty, with a heightened risk of crossing thresholds of various kinds (tipping points), which can lead to irreversible change. One example of this type of threshold effect is Arctic melting, which may cause global warming to speed up. Should such threshold effects arise, there could be dramatic changes in the environment. However, it is impossible to say exactly how great the risk of this happening is, once the sustainable limits have been passed.

The research team has identified nine biophysical processes of particular importance to global ecosystems:<sup>42</sup> atmospheric aerosol loading, chemical pollution, climate change, ocean acidification, stratospheric ozone depletion, changes in the nitrogen and phosphorus cycles, global freshwater use, changes in land use, and biological diversity loss.<sup>43</sup> In the team's estimation, the sustainable limits have already been passed in the case of climate change, biological diversity loss and the nitrogen cycle.

The research team contends that in most areas we are moving in the wrong direction, even if it is not always possible to determine where the sustainable limit lies. In addition, several of the processes interact, which makes the system dynamic and difficult to forecast. For example, greenhouse gas emissions contribute to acidification of the marine environment, for instance, and this in turn can contribute to a loss of biological diversity. Furthermore, environmental impact is often a result of local or regional conditions, and it may not even be possible to specify global limits for certain biophysical processes, since their effects are primarily local or regional.<sup>44</sup> For Sweden's part, this means that our environmental and climate policy objectives will require local, regional, national or global action, depending on the nature of the issue at hand.

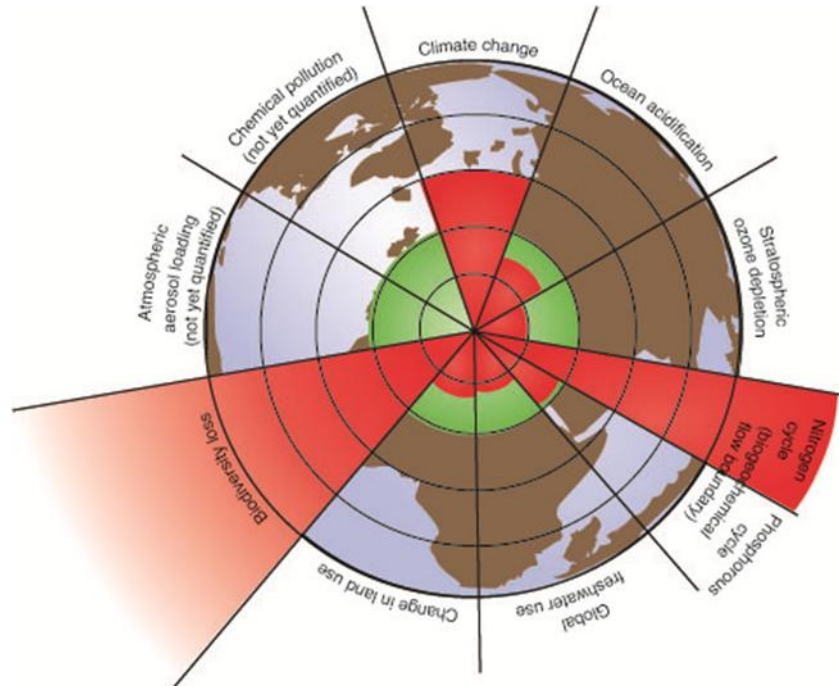
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<sup>42</sup> The term biophysical processes refers to climatological, geophysical and biological processes. One example is the Earth's ability to absorb emissions into the sea, soil and forest, which helps reduce the impact of human activity on the climate. If we exceed the limit for the planet's ability to absorb such emissions in various ways, climate change may be much more dramatic.

<sup>43</sup> Rockström et al., 2009.

<sup>44</sup> Nordhaus et al., 2012.

Figure 4.1 Planetary boundaries



Source: Rockström et al., 2009. The green field denotes a safe space. The red staples denote the current situation for the nine variables.

As regards the future and the challenges it holds, this shows that at one level there is considerable uncertainty as to what lies ahead. We don't know exactly how the future will develop and which of the forecasts will prove accurate. At another level, we know that we are over-exploiting the Earth's resources and that present trends are not ecologically sustainable.

The challenge is not, however, only about halting the negative environmental impact of human activities. In a broader sustainability perspective, the task is to move towards a greener economy and greener growth, where ecological sustainability can be combined with economic and social sustainability. If we are to achieve this aim, we need to become better at measuring and assigning a value to ecosystem services and the natural capital.

## Ecosystem services and the valuation of natural capital

Green growth, according to the OECD, is economic growth that occurs within the bounds of what ecosystems can sustain and that allows natural assets to continue to provide the goods and services on which our prosperity depends.<sup>45</sup> Such growth is sustainable in two senses: ecologically and economically.

Economic growth is traditionally measured in terms of GDP increase over a certain period of time. The GDP concept was originally developed after World War II as a means of measuring economic activity in society and providing information that enabled policymakers to ward off fluctuations in the economic cycle.<sup>46</sup> GDP can be measured in a number of ways,<sup>47</sup> but whatever the method used the concept is in many respects an inadequate measure of human prosperity in the broader sense. It is an efficient way of measuring the value of all goods and services produced over a given period of time, but it says nothing about how these are distributed within the country; nor does it include unpaid work of various kinds, such as household work. Moreover, it embraces things that most people would regard as contributing to a lower standard of living, such as repairs to damage or the costs of transport to and from work.

One of the failings of traditional GDP is that it does not take account of negative environmental impact or whether growth is ecologically sustainable. Thus environmental degradation and the consumption of natural capital may help push up GDP without taking into account either the costs of repairing the damage caused or the loss of important ecosystem services.

One difficulty in this respect is the absence of criteria to measure and evaluate natural capital and ecosystem services. As a rule, it is not until something is accorded a concrete value, and the cost of its consumption is known, that people begin to value and conserve it. As with fixed capital, financial capital, human capital and social capital, natural capital needs to be put to use rather than consumed if development is to be sustainable.<sup>48</sup> To this end, however, we also need to find ways of measuring and valuing natural capital.

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<sup>45</sup> OECD, 2011a.

<sup>46</sup> UNU-IHDP & UNEP, 2012.

<sup>47</sup> GDP is usually calculated by means of the expenditure method, the production method or the income method. In theory, they should yield the same result.

<sup>48</sup> UNU-IHDP & UNEP, 2012.

A key concept in this connection is what is called ecosystem services. These are defined as all the goods, services and processes that ecosystems supply us with, and that we depend on and benefit from. An ecosystem may in turn be defined as "... A complicated system, an ecological unit of human beings, plants, animals, fungi and microorganisms interacting with their surroundings. A single lake, a waterway or a whole region may count as an ecosystem. All descriptions of an ecosystem are formulated in the knowledge that this system is in turn dependent on other, adjacent ecosystems. Most ecosystems are based on photosynthesis, i.e. on the conversion of carbon dioxide into oxygen and sugars with the aid of sunlight.<sup>49</sup> It is also worth emphasising that each ecosystem comprises a complex and integrated whole. Changes in one part of the system, such as the extermination of a particular species or continued climate change, may have far-reaching and possibly unsuspected consequences for other parts of the ecosystem.

Ecosystem services may be divided into four categories: *supporting*, *producing*, *regulating* and *cultural*.<sup>50</sup> Among the *supporting* ecosystem services are basic processes such as photosynthesis, soil formation, the circulation of nutrients, biochemical cycles, the primary production of phytoplankton and algae, and biological diversity. The *producing* ecosystem services include all the products that we draw from nature, such as food, medicines, energy, forest raw materials, plants, other raw materials, chemicals and various genetic resources. Available space and waterways for shipping, for example, may also be included here.

Among the *regulating* ecosystem services are the natural cleansing of air and water, the absorption of carbon dioxide and nitrogen, the production of oxygen, pollination and the preservation of sediment that reduces the risk of erosion. Organisms that break down pollutants form another important part. Finally, the *cultural* ecosystem services include what nature provides in the form of things like relaxation and recreation, aesthetic experience, cultural and natural heritage, and inspiration both in everyday life and in creative processes, in science and in education.

While at one level there is considerable awareness of our dependence on ecosystems and the fact that nature provides us

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<sup>49</sup> Swedish Environmental Protection Agency, 2009, p. 15.

<sup>50</sup> Millennium Ecosystem Assessment, 2005; WWF Sweden, 2011; Swedish Environmental Protection Agency, 2009.



with numerous ecosystem services, the absence of a market makes it difficult to determine the economic value of these services and assets. In a bid to change this, extensive efforts are being pursued at both national and international level, but so far no successful way has been found of measuring and assessing the economic value of all key ecosystem services.<sup>51</sup> In 2001, work began on the UN Millennium Ecosystem Assessment (MA), which involved 1 360 researchers and other experts up until the publication of the project's final report in 2005. The MA has in turn lent impetus to further efforts to identify, chart and evaluate ecosystem services internationally, nationally, regionally and locally. One such initiative is The Economics of Ecosystems and Biodiversity (TEEB), and in 2012 the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES) was established.

In the long term, an important prerequisite to determining the extent to which growth is sustainable will be the successful measurement and valuation of ecosystem services and natural capital. The well-known shortcomings of traditional GDP-based assessment have already led to the launching of several initiatives designed to go 'beyond GDP'. Perhaps the best known among them is the Human Development Index initiated by the UN Development Programme (UNDP). It combines GDP with factors such as level of education and life expectancy. But bodies such as the OECD, the EU and the UN are also engaged in projects aimed at developing new and better indicators of human prosperity and wellbeing to supplement GDP.<sup>52</sup> This matter has also been addressed by the Commission on the Future of Sweden, with a focus on how appropriate methods might be developed and introduced in this country.<sup>53</sup>

Efforts have also been made to find ways of measuring and valuing natural capital and ecosystem services in order to integrate them into GDP. For example, Sweden's National Institute of Economic Research sought for a number of years to formulate a suitable indicator for a green Net National Product (NNP); this was to be defined as GDP minus depreciation of fixed capital and changes in natural capital. However, due to difficulties in developing such an indicator, the institute discontinued this project a few years ago.

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<sup>51</sup> Hojem, 2013.

<sup>52</sup> UNDP, 2011; OECD, 2012b; UNU-IHDP & UNEP, 2012.

<sup>53</sup> Levay, 2013; Fors, 2012; Hojem, 2013.

However, a number of new and interesting national and international projects are currently under way to find methods for calculating natural capital and ecosystem services.<sup>54</sup> The Swedish Environmental Protection Agency recently presented a government report compiling information on important ecosystems and ecosystem services in Sweden.<sup>55</sup> One international project is the UN System of Environmental-Economic Accounting (SEEA), which proceeds from and develops established international standards for national accounting in order to produce environmental statistics that can be combined with economic statistics.<sup>56</sup> Another interesting project is the World Bank Wealth Accounting and Valuation of Ecosystem Services (WAVES), which gathers data from individual countries, UN bodies, NGOs and businesses. WAVES aims to develop methods for calculating natural capital and the value of ecosystem services in such a way that the data can be combined with traditional national accounts in order to arrive at an overall indicator of a country's welfare situation and to determine whether it is sustainable.<sup>57</sup> A third interesting project, the Economics of Ecosystems and Biological Diversity, aims to find ways of measuring both the economic importance of biological diversity and what lost diversity means in economic terms.<sup>58</sup> To these initiatives should be added a fourth, undertaken by the UN for the purpose of developing Sustainable Development Goals. At the time of writing, an international working group is in the process of developing these SDGs. There are also a number of initiatives being pursued in the private sector, including the Natural Capital Declaration and the Natural Capital Initiative.

Continued efforts to successfully measure and evaluate ecosystem services and determine the cost of natural capital consumption are needed as an adjunct to informed policy decision-making. The Government has therefore appointed a committee of inquiry to analyse methods for valuing ecosystem services and to make recommendations. The committee has also been tasked with presenting proposals on ways to integrate these assets into economic decision-making, political considerations and other decisions in society.

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<sup>54</sup> Besides those discussed in the text, see UNU-IHDP & UNEP, 2012.

<sup>55</sup> Swedish Environmental Protection Agency, 2012e.

<sup>56</sup> <http://unstats.un.org/unsd/envaccounting/seea.asp>

<sup>57</sup> WAVES, 2012.

<sup>58</sup> TEEB, 2008, 2010.

If environmental considerations are to be properly incorporated into the decision-making process, stronger economic instruments and incentives will be needed. This means developing systems that not only require those who pollute more to pay for their emissions, thereby creating the economic incentive to reduce them, but also ensures that the prices of their goods and services better reflect environmental costs. A couple of good examples in this connection are Sweden's carbon tax and nitrogen oxide charge. When a price is set on each kilo of carbon dioxide or nitrogen oxide released, the emissions become an actual cost, and this has provided the incentive to reduce emissions and helped bring down emission levels.

In summary, the various efforts made so far to develop GDP in a way that takes natural capital and ecosystem services into account have come up against a number of challenges, and our understanding of such services is still incomplete. There is thus a definite need to learn more about this area and to continue developing appropriate tools so that the value of ecosystem services may be included in coming years. Although success still lies a long way ahead, a great deal of work is in progress, and the business sector, too, is engaged in efforts to take account of and include the environmental implications of its activities.

The difficulties of developing a GDP indicator that also takes account of natural capital and ecosystem services lead us to at least three conclusions. The first is that the prime task en route to sustainable development is to develop criteria that take account of how we use natural capital and the various ecosystem services, and which can be combined with or complement traditional GDP. The second is that we don't know when these measures will become available but that this must not deter us from moving towards a green economy and green growth. The third is that efforts to develop both administrative and economic incentives need to continue in the quest for an environmentally sustainable society. This work is being pursued both nationally and internationally. The impact will be greatest when international agreements can be reached – accords that will also prevent environmentally hazardous activities from moving elsewhere instead of in a more environment-friendly direction. Achieving such agreements is the most important task of all.

While many of today's environmental problems – especially those relating to climate change – are global in nature, many are

also national and local, and each nation has a responsibility to ensure that society develops in an ecologically sustainable manner.

### Sweden and ecological sustainability

Debates and discussions on the challenges of sustainable development are often dominated by the prevailing problems. However, it is important to remember that progress has been made. In Sweden, the air and water in towns and cities have become cleaner, the number of acidified lakes has declined, as has the concentration of dioxins in herring, and current emissions of greenhouse gases are approximately 60 per cent of the levels recorded 40 years ago. Globally, depletion of the ozone layer has been curbed and researchers now believe the ozone hole can begin to heal.<sup>59</sup> This shows that positive change is possible.

In the quest for sustainable development, Sweden has adopted a number of climate and environment objectives, with the generational goal as the overall policy objective. This states: “The overall goal of Swedish environmental policy is to hand over to the next generation a society in which the major environmental problems in Sweden have been solved, with no increase in environmental and health problems outside Sweden’s borders.” What the goal means in practice is specified in seven points (see Figure 4.2).

In addition, the Swedish Riksdag has established 16 Environmental Quality Objectives (EQOs). These are: reduced climate impact; clean air; natural acidification only; a non-toxic environment; a protective ozone layer; a safe radiation environment; zero eutrophication, flourishing lakes and streams, good quality groundwater; a balanced marine environment, flourishing coastal areas and archipelagos; thriving wetlands; sustainable forests; a varied agricultural landscape; a magnificent mountain landscape; a good built environment; and a rich diversity of plant and animal life. The Government has also adopted thirteen interim targets relating to air pollution, dangerous substances, waste and biological diversity, while the Riksdag has adopted interim targets for limiting environmental impact.

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<sup>59</sup> Hojem, 2013; [www.scb.se](http://www.scb.se)

Figure 4.2 The seven components of the Swedish generational goal<sup>60</sup>

- Ecosystems have recovered, or are on the way to recovery, and their long-term capacity to generate ecosystem services is assured.
- Biodiversity and the natural and cultural environment are conserved, promoted and used sustainably.
- Human health is subject to a minimum of adverse impacts from factors in the environment, while the positive impact of the environment on human health is promoted.
- Materials cycles are resource-efficient and as far as possible free from dangerous substances.
- Natural resources are managed sustainably.
- An increase in the share of renewable energy, efficient energy usage with minimal impact on the environment.
- Patterns of consumption of goods and services cause the least possible problems for the environment and human health.

With regard to climate emissions, the objective is the stabilisation of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system, in line with the UN Framework Convention on Climate Change (UNFCCC). This objective is to be achieved in such a way and at such a pace that biological diversity is preserved, food production is assured and other objectives of sustainable development are not jeopardised. The Government has adopted a vision for Sweden of zero net emissions of greenhouse gases by 2050.

Sweden, along with other countries, has a responsibility to ensure that the global target is met. Both the generational goal and the 16 EQOs are being followed up and evaluated by the Swedish Environmental Protection Agency. These evaluations assess whether the targets will be achieved by 2020 or, in the event of the impact on climate, by 2050. The most recent assessment was made in 2012. It considered whether it was realistic to expect the EQOs to be met by 2020 and 2050 respectively and whether they were achievable given the instruments and incentives currently in place.<sup>61</sup>

<sup>60</sup> Swedish Government, 2010.

<sup>61</sup> Swedish Environmental Protection Agency, 2012c.

Unfortunately, the agency concluded that as many as 14 of the 16 objectives, as well as the generational goal, would not be met by 2020, and that the climate objective would not be achieved by 2050 using the instruments currently available. The two objectives that can be achieved in the agency's view are those concerned with maintaining a protective ozone layer and ensuring a safe radiation environment. As regards clean air, natural acidification only, good-quality groundwater and a magnificent mountain environment, progress is being made. For the other objectives, however, the results are either neutral or negative.

Given these findings, efforts to achieve the various parts of the generational goal and the EQOs must continue. Perhaps the most important challenge, however, is climate change and the need to reduce greenhouse gas emissions, not least because the climate issue is interconnected with so many other areas.

In the case of greenhouse gas emissions, the Government's interim target is a 40 per cent reduction by 2020, from 1990 levels. Forecasts show that this target can be met.<sup>62</sup> Between 1970 and 2011, Sweden halved its emissions of carbon dioxide.<sup>63</sup> There are a number of reasons for this. In the 1970s and the early 1980s, the country's nuclear power capacity was expanded, and together with hydroelectric power this drastically reduced CO<sub>2</sub> emissions from electrical power production. In 1991, a carbon tax was introduced, and emissions have declined in recent years, primarily as a result of the introduction of bio-based fuels in district heating plants and home boilers, and improvements in waste management.<sup>64</sup> Between 1990 and 2011, emissions fell by 16 per cent, or from approximately 75.7 million tonnes to 61.5 million tonnes. Meanwhile, emissions from energy production in the energy industry increased by 5 per cent and emissions from domestic transport by 4 per cent in the period 1990–2011. The latter sector, however, has shown a downward trend since 2005 when emissions were at their highest (see Figure 4.3). Private motor traffic and energy production in the energy industry and industry in general account for the largest share of emissions, followed by the agricultural sector.

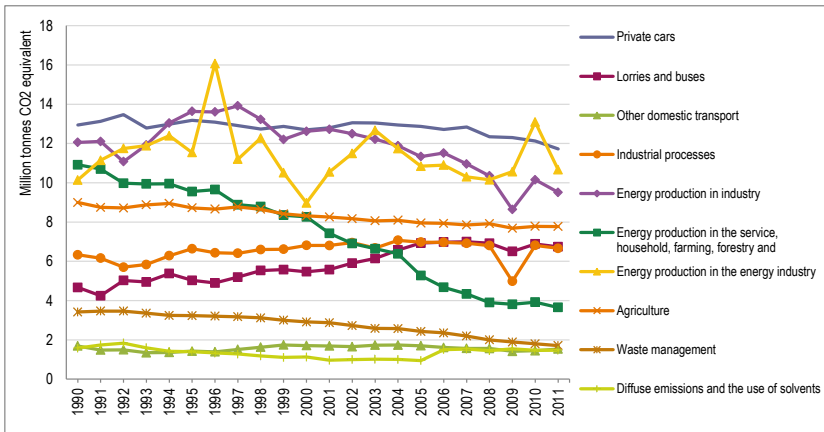
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<sup>62</sup> National Institute of Economic Research, 2012.

<sup>63</sup> CDIAAC.

<sup>64</sup> Swedish Environmental Protection Agency, 2010.

Figure 4.3 Changes in greenhouse gas emissions 1990–2011 (thousand metric tons)



Source: <http://www.naturvardsverket.se/Start/Statistik/Vaxthusgaser/Nationell-utslappsstatistik/>

However, these statistics do not include greenhouse gas emissions that take place in other countries as a result of Swedish consumption. Between 2000 and 2008, the total volume of such emissions increased from 90 to 98 million tonnes of CO<sub>2</sub> equivalents. While domestic emissions, corrected for exports, declined from 46 to 40 million tonnes, ‘Swedish’ emissions in other countries rose from 44 to 58 million tonnes.<sup>65</sup> The model used in this calculation is based on the estimated amount of CO<sub>2</sub> required to produce a GDP dollar per country (emission intensity). If the consumption of a product is constant in Sweden, but production is moved abroad to a country with lower emission intensity, the effect on the way Swedish consumption impacts on greenhouse gas emission levels is negative.

The conclusion to be drawn from this is not, however, that we should trade less. Continued globalisation and greater free trade will be of decisive importance for welfare growth in most countries of the world. On the other hand, international environmental rules and agreements are essential if production, consumption and trade are to proceed under sustainable conditions, and if the transport sector, for example, is to bear its own environmental costs to a greater extent.

<sup>65</sup> Swedish Environmental Protection Agency, 2012d.

From a global perspective, Sweden is a small country that accounts for a small share of global greenhouse gas emissions and other environmentally harmful emissions. Although emissions per capita are higher in Sweden and other developed countries than in less developed countries, we can never solve the global environmental problems on our own. They nonetheless affect us both directly and indirectly, and we have a responsibility to meet our domestic challenges in pursuit of sustainable development and to make a positive contribution to global development.

As this chapter has shown, Sweden faces a number of future challenges, both as a country and as a member of the global community. Ecologically sustainable development must go hand-in-hand with economically sustainable development. The goal is sustainable growth and the development of a green economy – an economy that can continue to generate resources that enhance economic prosperity and human wellbeing while reducing the environmental risks associated with the consumption of natural capital and finite natural resources.

### **Challenges – and new opportunities**

In the coming decades, the global shift towards more sustainable societies will in all likelihood intensify, driven by an increased awareness of the consequences, and the increased costs involved, of failing to give the environment due consideration. It is not primarily a question of whether the world will move towards ecologically more sustainable development but of when, how rapidly and in what ways. A further question is whether knowledge growth in the natural science and social science fields will be rapid enough to enable countries to provide the basis for the kinds of decisions that will be required if negative environmental consequences are to be avoided. Environmental degradation in the past has often stemmed from inadequate knowledge; there is no evidence that economic growth by definition adversely impacts the environment. We should instead proceed on the premise that it is perfectly feasible to combine ecologically sustainable development with continued economic growth, and that ecologically and economically sustainable development is interlinked.<sup>66</sup>

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<sup>66</sup> Eklund, 2009, 2011a.



Just as with previous processes of change and restructuring, development will at times be turbulent. Some companies and jobs will disappear, but many new ones will be created in their stead. History teaches us that all major transitions ultimately lead to higher levels of prosperity, and that the benefits outweigh the costs. This proved to be the case in the shift from an agrarian society to an industrial society, and subsequently to our present information society.

An important question in this connection is how Sweden is to gain from the transition to a sustainable society. A number of international studies have assessed how many new jobs could be created within the EU and globally by 2020 or 2030 as a result of this transition.<sup>67</sup> Although the findings tend to vary, the studies share the view that policy measures can have many favourable effects and that work on sustainable development is not exclusively about costs and problems. It is also about the possibility of investing in a better future.

Sweden has implemented green tax shifts, by lowering tax on work and raising it on CO<sub>2</sub> (for example), and is well placed in this respect. This will give it an important advantage looking ahead, when gains in the form of job creation and business start-ups will not necessarily be on Swedish soil. An illustration of this is the environmental technology sector, where most of the green jobs are presently to be found in countries such as China.<sup>68</sup> China has already overtaken the US as the principal manufacturer of solar panels. One of the advantages of environmental technology being mass-produced in countries with lower cost levels is a reduced price for consumers of green products. However, it is also important for Sweden to maintain a strong presence in this market. Just as in other sectors, Sweden and Swedish companies must constantly strive to improve their competitiveness and create new products and services. Sustainable growth therefore demands continued research and innovation.

We are witnessing an ongoing process in which new knowledge is changing companies' production methods and societies' policy instruments. This has helped society to develop and has meant that goods and services are now being produced in a more sustainable

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<sup>67</sup> European Commission, 2010; OECD, 2011c.

<sup>68</sup> It is estimated that the total renewable energy sector will employ 5 million people worldwide, of which 1.6 million in China, 0.9 million in Brazil, 1.1 million in the EU and around 0.4–0.5 million in the US. See Ren21, 2012, p. 27.

way than before. We need to continue in this direction in order to meet the challenges facing us in the years ahead.

### **The road to a sustainable economy**

As mentioned earlier, a green economy is defined by the UN as an economy capable of generating resources that improve human prosperity and social equity while significantly reducing environmental risks and ecological scarcities.<sup>69</sup> In Sweden, the Riksdag has adopted the generational goal. Two prerequisites if we are to be certain that we are on the right track are an awareness and understanding of the links between the environment and human welfare, and good measurement methods.

Knowledge and measurement methods will not suffice, however, unless awareness is translated into action. If Sweden is to be successful in its efforts to achieve sustainable development, it will need to limit the negative impact of human activity on the environment and climate while still maintaining growth, development and innovation. One challenge in this connection is the need to view society more as an integrated whole in which environmental issues and socioeconomic issues are not seen as separate areas but as an integral part of all policy areas. A major task will be to develop socioeconomic valuations and effect models in the environmental sphere. If Sweden is to successfully move towards a green economy, different areas will need to interact with one another, while policies will need to be both long-term and flexible, and so help make society a better place for individuals and companies.

Policy coordination can strengthen the positive effects of work on achieving sustainable growth and a green economy. Economic and administrative policy instruments, for instance, such as green taxes and environmental requirements, help reduce emissions of dangerous substances and greenhouse gases. They also make the task of developing new, greener products a more attractive proposition for the research and business communities. This, however, assumes that Sweden possesses a competitive business climate and pursues active research and innovation policies. Sweden is already one of the heaviest investors in research, relative to its size, and this is important, since it is within the country's business

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<sup>69</sup> <http://unep.org/greeneconomy/aboutgei/whatisgei/tabid/29784/default.aspx>

companies, universities and laboratories that new solutions will have to develop. If ideas and innovations are not to remain with the researcher, however, there needs to be a demand. Good conditions for entrepreneurs can lead to the emergence of more newcomers in the green business sector and thereby boost growth, although the products must be able to compete on a commercial basis.

Global and national efforts to achieve the kind of development that is both ecological and economically sustainable will require continuous restructuring of the economy; old jobs and industries will disappear and new ones arrive. This is nothing new. It is a natural part of a market economy capable of adapting to current conditions. Managing this restructuring process is a challenge in itself. Likewise, finding the best ways of dealing with globalisation is an ongoing challenge.

When investments are made, the factors that influence economic assessments must be known and stable. This means that society must arrive at well-founded, long-term decisions on sustainable growth. As our understanding of the environment and its links to human welfare increases, we encounter new challenges. We still do not fully understand what the climate will be like in the future, for instance, or how it will affect other parts of the environment. Possible threshold effects contribute to this uncertainty. Consequently, policies must not only be clear and predictable; they must also be instructive. This will necessitate participation, since individuals, companies, researchers and civil society will all play an important part in helping society to develop, both through their expertise and through their actions.

Shaping such policies presents a challenge, since the measures introduced must interact, encourage adaptability and be both long-term and flexible in character. Sweden has, however, a stable foundation to build on, with a social model that ensures high legislative standards and broad democratic support. This in turn makes it easier to tackle current and future challenges in pursuit of ecologically sustainable development, sustainable growth and a greener economy. It will also help Sweden become an example to the world in the quest for a development that is sustainable ecologically as well as economically and socially.

“Make Gothenburg an environmentally aware city that can set an example to other cities in Sweden.”

Wendela Ek and Sandra Lundholm, Gothenburg, from the Future Sweden project



# 5

## The challenges of demographic development





## 5 The challenges of demographic development

“Perhaps instead of trying so hard to ‘hold on’ to its young people, Haparanda should do what the big cities do and try to attract new people. Get new young people to come here from other places and let those who have grown up here go off and see something else, and perhaps come back later in life to start a family.”

Anonymous upper secondary pupil, 18, Haparanda,  
from the Future Sweden project

### Introduction<sup>1</sup>

About a century ago, in 1911, Sweden had fewer than 5.6 million inhabitants. About 25 per cent of them lived in cities or towns, of which Stockholm was the largest, then as now. Average life expectancy at birth was 54.5 years for men and 57 years for women, and only 8.4 per cent of the population were 65 or older. In that year, some 7 700 people arrived as immigrants, while just under 20 000 emigrated. The US was the principal country for both emigration and immigration.<sup>2</sup> Sweden had yet to introduce a pension scheme; the first national scheme arrived in 1913. The retirement age at that time was 67, an age that most people never reached.

The situation today is quite different. In May 2012, the Swedish population passed the 9.5 million mark for the first time. Of this total, about 85 per cent lived in urban centres and 60 per cent in urban centres with more than 10 000 inhabitants. Life expectancy at birth is now 80 years for men and 83.8 years for women, and

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<sup>1</sup> This chapter is based, inter alia, on the interim report on the challenges of demographic growth prepared as part of the Commission on the Future of Sweden remit. See Blix, 2013.

<sup>2</sup> Kungliga statistiska centralbyrån, 1914.

18.8 per cent of the population are 65 or older.<sup>3</sup> Both immigration and emigration have increased: in 2010, some 99 000 people migrated to Sweden while about 49 000 emigrated. Apart from returning Swedes, the immigrants came primarily from Norway, Somalia, Denmark, Poland and China, while migration from Sweden went primarily to Norway, Denmark, Britain, the US and Finland.

This brief review of the situation illustrates some of the enormous changes that have taken place in Sweden in recent centuries, not least in terms of demographic development. From once having been a relatively poor and homogenous rural country with low life expectancy, Sweden has become a rich and heterogeneous country with one of the highest rates of life expectancy in the world.<sup>4</sup>

This is a triumph for Sweden. At the same time, it represents a major challenge for the future. This has to do with the way demographic development impacts both on socioeconomic development and on the financing of the welfare state and skills supply in the private and public spheres. Economic development is created through the input of work and capital of various kinds (fixed capital, financial capital, human capital, natural capital and social capital), and any change in the labour supply affects both the production and consumption of goods and services.<sup>5</sup> The composition of the population also affects the financing of welfare services. An ageing population means not only fewer people in what we usually describe as the working-age category but also increased demand for things like healthcare and elderly care.<sup>6</sup> All else being equal, it also means a lower growth rate.

The combination of a declining share of people employed and paying taxes and increased demand for welfare services, particularly in the healthcare and elderly care sectors, risks creating an ever-widening gap between needs and the resources required to meet them. In addition, there is a risk of increasing difficulty in recruiting staff to provide different welfare services.<sup>7</sup> To finance welfare and meet the demand for increased service provision in the future will require both higher productivity and more hours

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<sup>3</sup> Statistics Sweden, Public statistics; Statistics Sweden, 2012a.

<sup>4</sup> UN, 2007.

<sup>5</sup> Wetterberg, 2011.

<sup>6</sup> Swedish Ministry of Health and Social Affairs, 2010; Beck-Friis, 2013; Blix, 2013.

<sup>7</sup> Statistics Sweden, 2012c; Arbetsförmedlingen, 2010.



worked, whereas the demographic trend, all else being equal, points to a declining number of hours worked.

However, demographic development is not about an ageing population alone. It is also about by immigration and emigration as well as processes of population changes within Sweden. Continuing urbanisation in the coming decades risks creating even greater imbalances between different parts of the country, and not least between urban and rural parts. In sum, therefore, demographic development will pose new challenges in terms of the sustainability of both welfare and welfare financing, nationally and in local areas.

In light of these considerations, the purpose of this chapter is to describe what demographic trends are to be expected in the future and what challenges they will present in terms of things like the financing of welfare services and the demand for them, skills supply in various parts of the labour market, and the relationship between more urban and more rural areas within Sweden. It is important to bear in mind that demographic changes occur as part of an ongoing process. Like changes in the global climate, they may not be particularly noticeable from day to day, but nor do they occur overnight. The earlier these challenges can be identified, therefore, the better the chances of overcoming them.

## An ageing population

When forecasting future demographic trends, there is always a degree of uncertainty involved. All forecasts are based on assumptions concerning how fertility rates, mortality rates and migration will develop, and future migration patterns are particularly difficult to foresee.<sup>8</sup> At the same time, population forecasts are more reliable than most other forecasts; if anything, previous forecasts have underestimated the pace at which life expectancy has increased.<sup>9</sup>

Basically, the demographic trend shows that we are living longer and having fewer children. An illustration of this is the fact that the number of people aged over 100 climbed from 127 to 1 770 between 1970 and 2011.<sup>10</sup> Today, average life expectancy at birth is 83.8 years for women and 80 years for men. However, it is

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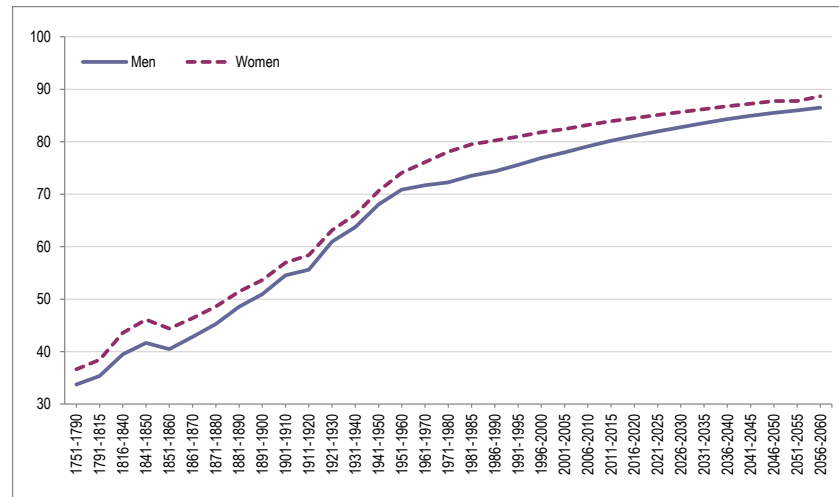
<sup>8</sup> Statistics Sweden, 2012a; Wadensjö, 2012; Foresight, 2011b.

<sup>9</sup> Ennart, 2013.

<sup>10</sup> Statistics Sweden, 2012a.

estimated that by 2020 the corresponding figures will be 84.8 and 81.5. By 2050, the figures are expected to increase to 87.9 for women and 85.7 for men (see Figure 5.1). According to some forecasts, around half of those born today in developed countries like Sweden can be expected to live until they are 100 years old.<sup>11</sup> Statistics Sweden (SCB) is more cautious but predict that about half of the boys and girls born today could reach 91 and 93 years of age respectively.<sup>12</sup> Regardless of which forecasts one chooses to believe, this heralds a major change in a historical perspective.

Figure 5.1 Average life expectancy at birth 1751–2060



Source: Statistics Sweden, 2012a, p. 213.

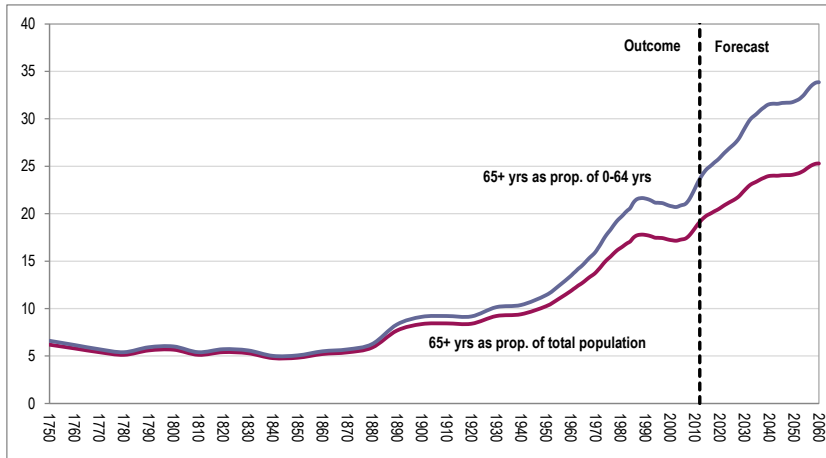
A complementary perspective on demographic development can be obtained by relating average life expectancy to the predominant pension norm. Today, Sweden has no formal retirement age, but for most people the norm is 65. When the first retirement age was established in 1913, not many lived to achieve it. Today, a man who turns 65 can expect to live for another 18.4 years, while a woman can expect 21.2 more years. By 2030, it is estimated that remaining life expectancy at the age of 65 will be 20.6 years for men and 22.9 years for women, after which it will rise to 23.3 years for men and 25.1 years for women.

<sup>11</sup> Christensen et al., 2009.

<sup>12</sup> Hemström, 2012.

As a result of this demographic trend, the share of the population aged 65 or more will continue to increase. *As a proportion of the total population*, those aged 65 or more are expected to increase from 18.8 per cent today to 20.5 per cent in 2020 and 25.3 per cent in 2060. *As a proportion of the 0–64 age group*, the proportion aged over 65 is expected to increase from 23 per cent today to 25.9 per cent in 2020 and almost 34 per cent in 2060 (see Figure 5.2).

**Figure 5.2** 65 and older as a proportion of the population and of those aged 0–64



Source: Statistics Sweden, Population projections.

The real challenge, however, is not that we are living longer. Basically, this is a good thing. Rather, it is a question of what implications this has for our production and consumption of goods and services and for the financing and provision of welfare services, in other words for the sustainability of the welfare state. If the retirement age norm remains unchanged while at the same time we grow older and the pension period is prolonged, time spent in working life will decline, which may have far-reaching consequences. This is particularly relevant since in recent decades what is known as the establishment age in the labour market – when 75 per cent of an age cohort is gainfully employed – has risen from 22–23 to 29 years.<sup>13</sup> Contributory factors include longer

<sup>13</sup> Statistics Sweden, Register-based labour market statistics; Statistics Sweden, 2012d.

education and the fact that the average age at which women and men have their first child rose between 1970 and 2011 from 24 and 27 years respectively to just under 29 years for women and approximately 31 years for men.<sup>14</sup> Moreover, this delayed fertility often means that the stressful years with small children tend to coincide with a time when people are expected to be at their most productive in work terms and in some cases to be pursuing a career.

### **A rising demographic dependency ratio**

A key term in analyses of demographic development and the financing of welfare systems is the demographic dependency ratio. This is the ratio between the share of the population who are not economically active and those who are. It is normally calculated by dividing the sum of the population under 20 plus those aged 65 or more by the sum of the population aged between 20 and 64. Put simply, a dependency ratio of 1 means that all individuals in the 20 to 64-year age group support both themselves and one additional person.<sup>15</sup> The demographic dependency ratio does not give the whole picture, since many people aged 20 to 65 are not gainfully employed, while many of those under 20 and over 65 are working and paying tax (see below). Nevertheless, it gives an idea of the challenges posed by demographic trends, especially when compared over time. The higher the demographic dependency ratio is, the greater the challenge to sustainable welfare financing.

If we study the trends over the past fifty years we find that the ratio was at its highest in the late 1970s. In the early 2000s it had fallen below 0.70, but in recent years it has begun to climb once again and in 2011 was 0.71. Due to the ageing population, however, it is expected to rise to 0.87 by 2050 and to 0.92 by 2060. The fact that we are living longer is the main reason for this substantial increase, while the relative increase from children and young people is expected to decline (see Figure 5.3). Around 2030, the number of people older than 65 is expected to exceed the number of those under 19, which would mark an historic shift.<sup>16</sup>

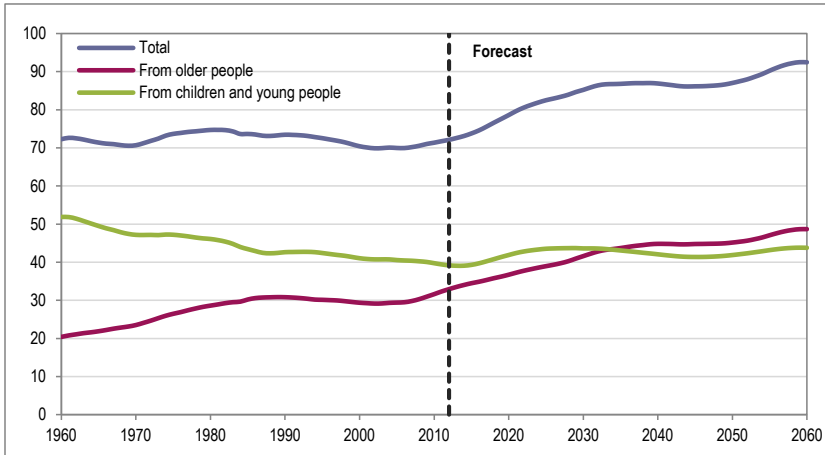
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<sup>14</sup> [http://www.scb.se/Pages/Article\\_\\_\\_333981.aspx](http://www.scb.se/Pages/Article___333981.aspx)

<sup>15</sup> Statistics Sweden, 2012a; Anderstig, 2012; Blix, 2013.

<sup>16</sup> Statistics Sweden 2012a, p. 31.

Figure 5.3 The demographic dependency ratio 1960–2060



Source: Statistics Sweden, Population projections.

The greatest uncertainty over the future of the demographic dependency ratio concerns how migration will develop (see also Chapter 6). Since 1960, the share of foreign-born persons has increased from 4 to 15 per cent of the population, and in its main forecast, Statistics Sweden estimates that it will rise slightly over the next few years before stabilising around 18 per cent.<sup>17</sup> Examination of previous migration forecasts shows, however, that they have often been proved wrong.<sup>18</sup> In the early 20th century, for instance, Sweden was an out-migration country and forecasts assumed that emigration would continue. Instead, Sweden was transformed over the next few decades into an in-migration country. At the end of the 1930s, net immigration was expected to be zero, but instead it rose over the following 25 years. Similarly, forecasts in recent decades have proved misleading.

There are a number of reasons why it is difficult to forecast future migration, one of them being that there are different types of migration (labour migration, refugee migration, close-relative migration) that are shaped by different underlying factors. The principal reason, however, is that it is very difficult to predict economic growth – which affects labour migration – and political developments – which affect refugee migration – in different

<sup>17</sup> Statistics Sweden 2012a, 2012d.

<sup>18</sup> Wadensjö, 2012.

countries.<sup>19</sup> That civil war would break out in former Yugoslavia, for instance, was difficult to predict at the end of the 1980s, as were the Arab Spring and the civil war in Syria more recently. Similarly, we cannot know what economic and political trends will look like in the future. There is uncertainty about how the climate will affect future migration patterns, for instance. According to the latest research, there is so far little evidence that climate change has led to any great increase in migration, whether regional or local. Usually, those who are most exposed to climate change are those who have the least opportunity to emigrate, i.e. the poorest in less developed countries. They usually lack the economic resources or the international networks required to move far away.<sup>20</sup>

What is important to remember in this connection, however, is that a higher level of immigration also represents an opportunity for Sweden; when the native-born population grows ever older, immigration helps rejuvenate the population as a whole.<sup>21</sup> By 2030, the entire net increase in the working-age population will come from the foreign-born population, and almost one person in four of working age in that year will be a foreign-born person.<sup>22</sup>

An illustration of how important immigration is to Sweden is obtained by studying the demographic dependency ratio with and without foreign-born persons. While the ratio is expected to rise to 0.92 up to 2060 for the total population, the estimated increase in the native-born group is 1.16 (see Figure 5.4). The fact is that the demographic dependency ratio has been higher among native-born persons than among the total population ever since 1960. The difference has grown and is expected to remain at the higher level.

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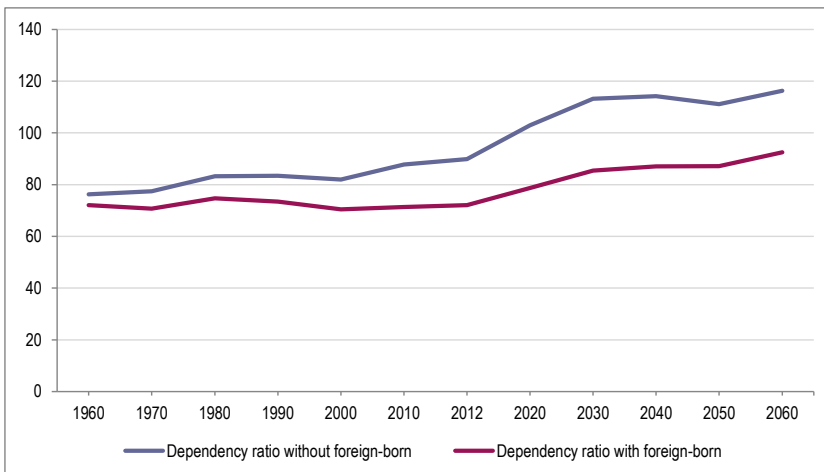
<sup>19</sup> Wadensjö, 2012; Goldin et al., 2011.

<sup>20</sup> Statistics Sweden, 2012a.

<sup>21</sup> Statistics Sweden 2012d; see also Anderstig, 2012.

<sup>22</sup> Statistics Sweden 2012a, p. 244–245

**Figure 5.4** Demographic dependency ratio among native-born persons and in the total population 1960–2060



Source: Statistics Sweden, 2012a.

Although immigration is not the only way of countering demographic trends, it is nevertheless an important component. If we are to meet the challenge of an ageing population and a higher dependency ratio, Sweden will need more rather than less immigration in the future – and better integration (see Chapter 6).<sup>23</sup> Today, Sweden has one of the world's oldest populations. However, almost the entire world – the EU and China in particular – face the prospect of an ageing population and a rising demographic dependency ratio.<sup>24</sup> This means that competition for younger persons, particularly the high educated, can be expected to intensify in the future. Thus Sweden is not only facing a growing demographic challenge in the years ahead but will also have the twin tasks of ensuring that it is an attractive country to international migrants and of boosting employment among immigrants at home.<sup>25</sup>

<sup>23</sup> Statistics Sweden, 2012d; Arbetsförmedlingen, 2010.

<sup>24</sup> UN, 2010b; NIC, 2012.

<sup>25</sup> See also Wadensjö, 2012; Goldin et al., 2011; NIC, 2012

## Urbanisation and demographic development

While the Swedish population as a whole is growing ever older and the dependency ratio is rising, there are major differences across the country. In recent centuries, Sweden has moved from being a rural country to being an increasingly urbanised country. In this respect, it reflects the global development, in which urbanisation is one of the most prominent trends. Globally, around 30 per cent lived in urban areas in the 1950s, whereas today more than half of the world population do so, and this share is expected to increase.<sup>26</sup>

In Sweden's case, the greatest decline in the rural population was recorded in the years up to 1970, but urbanisation is still continuing (see Figure 5.5).<sup>27</sup> Metropolitan areas, suburban municipalities and larger towns are growing, while the populations of smaller and sparsely populated municipalities are declining. An important task here is to find ways of increasing vitality throughout the country. Since 2005 Sweden has been the EU country with the most pronounced urbanisation trend<sup>28</sup>, according to Eurostat, and in 2011 there was a decline in population in as many as 141 of the 290 Swedish municipalities.

In absolute figures, the population in that year increased most in Stockholm (+17 000), followed by Gothenburg (+6 600) and Malmö (+3 800). However, it is not only metropolitan areas that are growing. Another important pattern is the emergence of a number of regional growth nodes, such as Umeå, Linköping, Uppsala and Växjö.<sup>29</sup> Frequently, these are seats of higher education, but growth nodes may also be border municipalities such as Strömstad or Haparanda.

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<sup>26</sup> See for instance NIC, 2012.

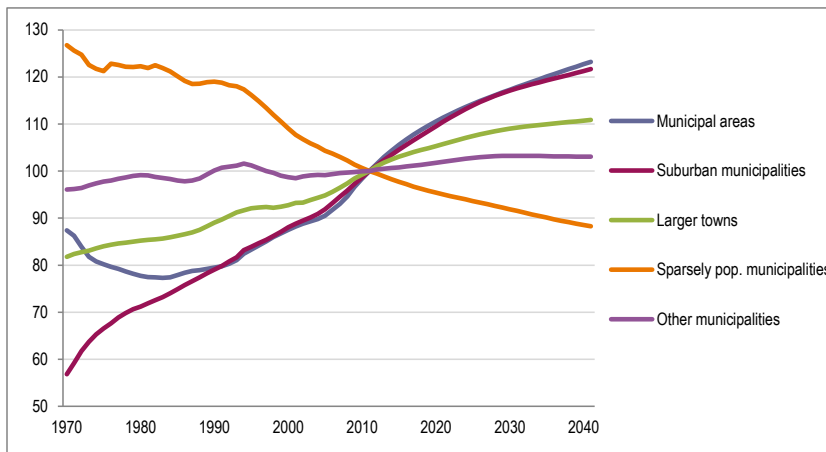
<sup>27</sup> Karlsson, 2012a.

<sup>28</sup> Eurostat, 2012; Arena för tillväxt & Sweco Eurofutures, 2012; Kvarnbäck, 2012.

<sup>29</sup> Arena för tillväxt & Sweco Eurofutures, 2012.



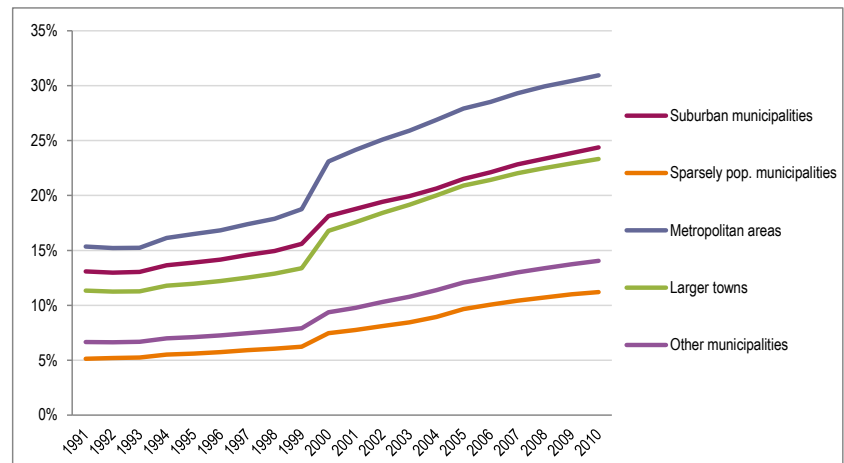
**Figure 5.5** Population in different types of municipality (relative development, index 2010=100 for each municipal group)



Source: Statistics Sweden, Population statistics.

The differences between more urban and more rural areas are not widening in terms of population size alone, however. One consequence of the urbanisation trend is growing differences in such areas as education. In Sweden as a whole, about 24 per cent of the population have higher education, i.e. at least three years of post-secondary education. However, there is considerable variation between municipalities. The highest levels of education are found in Danderyd and Lund, with 55 and 51 per cent of high-educated respectively. They are followed by municipalities adjoining metropolitan areas, such as Lomma, Lidingö and Täby, where at least 40 per cent are high educated. Conversely, there are many smaller municipalities in which only about 10 per cent are high educated. The lowest levels of education are found in municipalities such as Laxå, Degerfors, Filipstad and Munkfors, where less than 10 per cent are high educated. Over the past 20 years, the level of education has risen in all types of municipality. However, it has always been higher in metropolitan areas, suburban municipalities and larger towns than in smaller municipalities and sparsely populated municipalities, and it has also increased faster (see Figure 5.6).

**Figure 5.6** Proportion of high educated in various types of municipality 1991–2010



*Source:* Statistics Sweden, Education Register. A change in education nomenclature caused a break in the time series for 1999/2000. The introduction of SUN 2000 and the use of new sources have led to a change in the level of education in the register that is not attributable to natural change.

The higher level of education in larger towns is primarily explained by the fact that they offer employment opportunities and a demand for high-educated labour, while in small urban centres there are fewer workplaces for such labour and less demand. Smaller municipalities often lack alternative or complementary workplaces for those wishing to change jobs or live together with a partner who is also high educated. While larger towns can offer a wide variety of employers likely to be of interest to the high-educated, smaller municipalities often have only a few such workplaces, which makes them less attractive to this group. This in turn leads to positive spirals for larger towns and negative spirals for smaller municipalities.<sup>30</sup> The more high-educated people there is in a municipality the more attractive it becomes for employers seeking that labour group, and the more employers there are of this type the more attractive the place becomes for the high educated. Conversely, it is difficult for smaller municipalities to attract both employers looking for high-educated labour and the high educated. The result is a widening of the gap between larger and smaller urban centres and municipalities, not only in terms of population

<sup>30</sup> See also Mattsson, 2011.

size but also in terms of the individual profiles of those who live in them.

Bearing in mind both the forecasts concerning the number of people entering and retiring from the labour market in coming decades (see below), and the fact that the ongoing globalisation process is making it more important than ever to maintain a high level of skill in the production of goods and services, this poses a significant challenge for Sweden's smaller urban centres and municipalities.

## Urbanisation and the demographic dependency ratio

It is not only the high educated who are moving to large urban centres and municipalities; young people, too, are doing so in considerable numbers. In combination with the growing age of the total population, this is increasingly distorting the age structure in different types of municipalities.<sup>31</sup> At national level today, 58 per cent of the population are aged 20–64, i.e. are of working age. In metropolitan areas, the proportion is 64 per cent, while the figure in sparsely populated municipalities is 54 per cent. Conversely, almost 19 per cent of the total population are 65 or older, while in metropolitan areas the corresponding figure is 15 per cent. In sparsely populated municipalities, meanwhile, as many as 25 per cent are aged 65 or older. If nothing changes, these differences are expected to become greater in the future. At the national level, the proportion of people aged 65 or over is expected to increase to 24 per cent by 2040. In metropolitan areas, the share is expected to increase to 19 per cent, which corresponds to the present national average. At the same time, in sparsely populated municipalities the proportion is expected to rise to 32 per cent, i.e. almost one person in three will be 65 or older around the year 2040.<sup>32</sup>

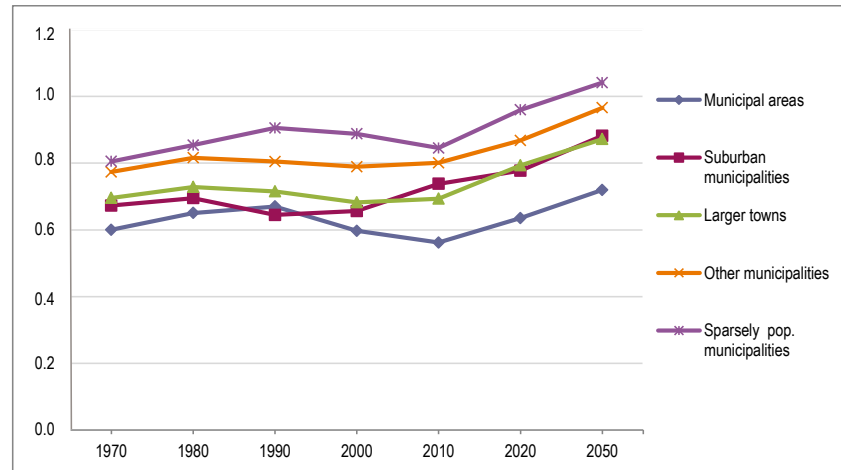
In other words, there is a risk that this trend will lead to a situation in which ever fewer younger people will need to support an ever growing number of older people in many sparsely populated municipalities around Sweden. This is also reflected in the considerable regional variation that the demographic dependency ratio is expected to show in the period up to 2050. The

<sup>31</sup> Arbetsförmedlingen, 2010; Arena för tillväxt & Sweco EcoFutures, 2012; Anderstig, 2012; Statistics Sweden, 2012c.

<sup>32</sup> Statistics Sweden, 2012a. See inter alia Karlsson, 2012b.

ratio is already higher today in sparsely populated municipalities (0.85) than in smaller municipalities (0.80), suburban municipalities (0.74), larger towns (0.69) and – not least – metropolitan areas (0.56). Up to 2050, the dependency ratio is expected to increase in all municipalities, but most in sparsely populated municipalities (see Figure 5.7).

Figure 5.7 Dependency ratio in various types of municipality, 1970–2050



Source: Anderstig, 2012, p. 18.

The widening gap between different parts of the country may also be expressed in terms of the relationship between the number of young people entering the labour market and the number of people leaving it for age reasons. During the period 2010–2025, the Swedish public employment agency (Arbetsförmedlingen) estimates that only three counties – Uppsala, Stockholm and Västra Götaland – will see more young people entering the labour market than older people retiring from it, while it estimates that the numbers will be roughly equal in the county of Skåne. In other counties, retirements will outstrip labour market entries among young people. At the municipal level, only metropolitan areas and larger towns, including suburbs, will have a net surplus in the labour market, while smaller municipalities and sparsely populated municipalities will see a growing labour deficit.<sup>33</sup> In the period up to 2025, the greatest problems are expected in municipalities such

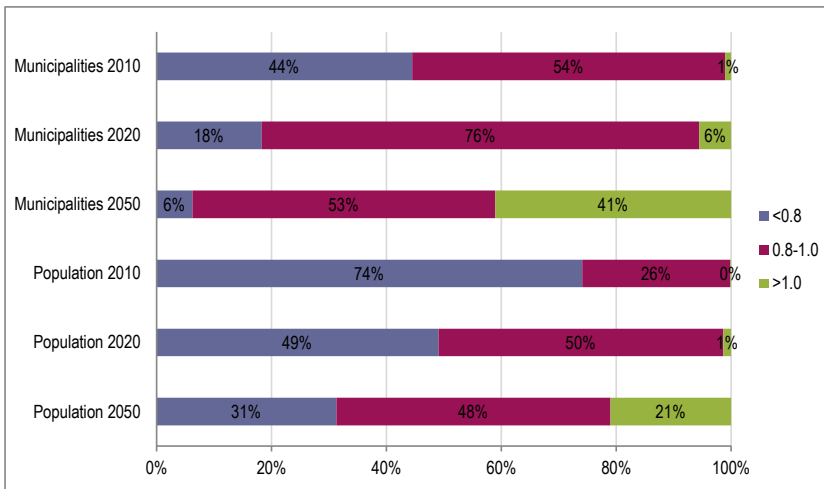
<sup>33</sup> Arbetsförmedlingen, 2010; Arena för tillväxt & Sweco Ecofutures, 2012.

as Pajala, Övertorneå and Gullspång, where it is estimated that young people from the same municipality will replace only about 30 per cent of retirees.<sup>34</sup> Sweden in general will face a growing shortage of labour in the coming decades, but the smaller the municipality the greater this shortage will be.

For an overall picture of the regional variations in this connection, we can divide municipalities into different classes on the basis of their demographic dependency ratios. Today, the ratio exceeds 0.8 in almost half of Sweden's municipalities, and only three have ratios above 1. Up to 2020, it is estimated that the proportion of municipalities with a ratio in excess of 1 will rise to 6 per cent, and then continue increasing to 41 per cent by 2050. Conversely, it is estimated that the proportion of municipalities with a ratio below 0.8 will decline from 44 per cent to 6 per cent between 2010 and 2050.

Different municipalities differ in size, however; based on the share of population living in municipalities with a dependency ratio above 1, it is estimated that this will rise from 0 to 21 per cent by 2050, while at the same time the share of population living in municipalities with a dependency ratio below 0.8 can be expected to decline from 74 to 31 per cent (Figure 5.8).

**Figure 5.8** Distribution of Sweden's municipalities and population based on dependency ratio 2010 with scenarios for 2020 and 2050



Source: Anderstig, 2012, p. 16.

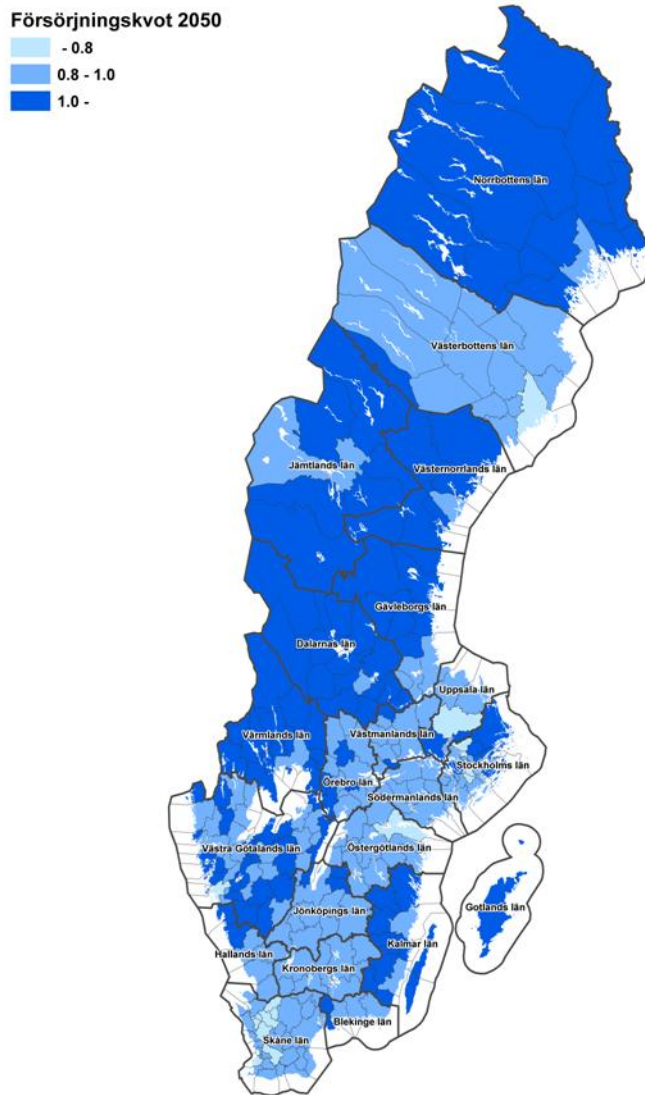
<sup>34</sup> Arena för tillväxt & Sweco EcoFutures, 2012.

This shows that the dependency ratio is expected to increase in all municipal groups up to 2050, but that the increase will begin at different levels while at the same time a growing number of municipalities will have a ratio above 1. Municipalities with a low ratio will become ever fewer and larger, while municipalities with a high ratio will become ever smaller but greater in number. The differences between municipalities and types of municipality, therefore, will increase. All municipalities face a demographic challenge, but the challenges are greater in some municipalities and types of municipality than in others and these will have less chance of meeting them successfully.<sup>35</sup> It is anticipated that municipalities with the highest dependency ratios will be found all over Sweden, but particularly in the northern and inland parts of the country (see Figure 5.9).

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<sup>35</sup> Anderstig, 2012; see also Statistics Sweden, 2012a, Blix, 2013.

Figure 5.9 Scenario for the demographic dependency ratio 2050, per county



Source: Anderstig, 2012.

## Demographic dependency ratio and increased dependency burden

The way the demographic dependency ratio is expected to develop gives us a good idea of the challenges Sweden faces as a result of the demographic situation. It does not, however, give the whole picture, since it does not take into account the extent of employment in different groups. Many are not gainfully employed in the 20–64 age group, while there are those who are both younger and older than members of this group whom both work and pay tax.

There is a measure that takes this into account, known as the *dependency burden*, which is the ratio between the total population and the gainfully employed. The dependency burden thus shows how many people each gainfully employed person – aged 16 to 74 – needs to support including himself/herself.<sup>36</sup> Since the dependency burden takes employment into account, it gives a better picture of the challenges that Sweden faces, while at the same time facilitating the construction of different future scenarios based on how employment patterns may change in different groups.

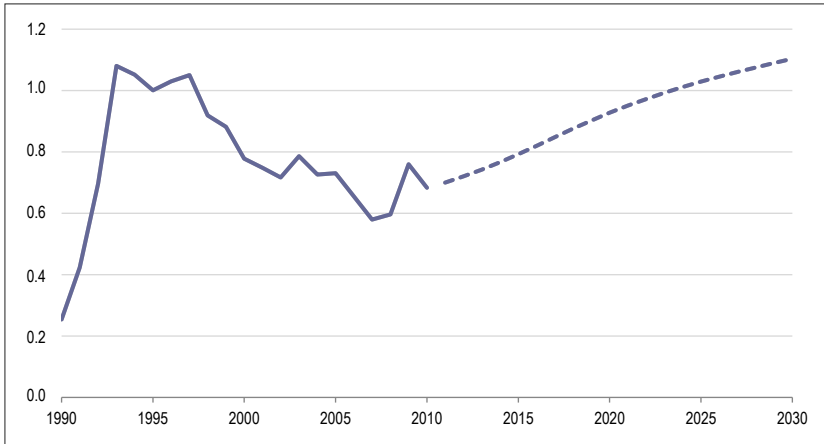
In 2010, the Swedish dependency burden was 2.14, i.e. each gainfully employed person had to support 2.14 people, including herself/himself. Assuming an unchanged activity rate, and taking into account only demographic development, Statistics Sweden estimates that the dependency burden will increase by about 10 per cent up to 2030, or to 2.35. This would be the highest level since the early 1990s (see Figure 5.10).

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<sup>36</sup> Statistics Sweden, 2012d; Arbetsförmedlingen, 2010.



Figure 5.10 Dependency burden 1990–2010 with forecast up to 2030



Source: Statistics Sweden, 2012d. The dependency burden refers to total population/gainfully employed aged 16–74. Time series breaks 1994 and 2004.

The most important difference between the early 1990s and the future scenario is that the high dependency burden at that time was caused by low employment due to a deep recession, while the high dependency burden of the future is basically attributable to demographic change and is structural in character. This, in combination with the increased local and regional differences resulting from demographic trends and urbanisation, means that the challenge that lies ahead will be even greater.

### Demographic development and future welfare

Demographic trends and an increasingly high dependency burden will undoubtedly pose challenges to the financing of future welfare. How great these challenges are depends on a range of assumptions concerning how the cost of and the demand for various welfare services develop, and on what happens to productivity and economic growth. As a result of demographic development alone, the Swedish Association of Local Authorities and Regions estimates for instance that the costs of elderly care will increase by something like 50 per cent up to 2035. Total costs resulting from

demographic development are estimated to increase by 20 per cent, which corresponds to a rise of 0.7 per cent per year.<sup>37</sup>

Should welfare service costs reflect the historical trend, on the other hand, they would increase by a further 1 per cent per year up to 2035, i.e. by a total of 1.7 per cent per year. However, continuing productivity growth and economic growth would help boost public revenue, which could offset some of these cost increases. According to the latest figures, such growth would mean that today's welfare commitments could be met without tax increases if demographic development is the *only* factor taken into account. Should costs continue to rise by about 1 per cent per year, however, over and above what is directly attributable to demographic development, a widening financial gap awaits.<sup>38</sup> According to the Association of Local Authorities and Regions, the gap between costs and revenue would increase to approximately SEK 200 billion in 2035. Assuming that the demand for welfare services follows the GDP growth curve, the gap is expected to widen to SEK 115 billion by 2030, while the Swedish Ministry of Health and Social Affairs for its part estimates that an increase of 0.8 per cent over and above the additional costs attributable to demography would lead to a shortfall of around SEK 110 billion.

Bearing in mind the fact that welfare costs in the past have increased by approximately 1 per cent per year over and above what may be attributed to demography, the most likely scenario is that costs for welfare services will also grow faster than the expected rate based on demographic development in the future. This will result in a financing gap between future demand and resources that is significantly larger than the present one. Exactly how large it will be is however impossible to say. This depends partly on productivity and technological advances, economic growth and cost developments in various parts of the welfare sector, and partly on the level of political ambition *vis à vis* this sector. Above all, however, it depends on the future number of hours worked in the private sector.

What is usually termed Baumol's cost disease – named after the economist William Baumol – poses a particular challenge in this connection.<sup>39</sup> Put simply, he argues that the prices of goods

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<sup>37</sup> Swedish Association of Local Authorities and Regions, 2010; see also Blix, 2013.

<sup>38</sup> Blix, 2013.

<sup>39</sup> Baumol, 2012.

normally fall faster than the prices of services, and that the costs of service production in relation to the prices of goods therefore tend to rise. This is not necessarily an immediate problem as long as people are prepared to pay more for services – and their ability to do so improves when productivity increases, causing the prices of products to fall over time – but it does present a challenge for the service-dominated welfare sector in Sweden, where services are traditionally financed via taxes. In countries like the US, where private financing dominates, Baumol's cost disease can help explain the dramatic increase in costs for things like healthcare and higher education. In countries like Sweden, where public financing predominates, the question arises where the line between public and private financing of welfare services should be drawn in the future if we want to ensure that both welfare and public finances are sustainable in the long term.

A further challenge involves increased disparities between municipalities and between different parts of the country respectively. According to the Association of Local Authorities and Regions, municipal tax would have to be raised by SEK 13 to bridge the financing gap of SEK 200 billion that could develop by 2035. Quite apart from the fact that such a tax hike is not realistic, there would be a considerable disparity between municipalities. It is true that we have a municipal tax equalisation system designed to level out the structural differences in costs and in tax capacity between municipalities. However, expanding municipalities in metropolitan areas with a relatively low demographic dependency ratio, a low dependency burden and more labour market entrants than retirees, will be better placed to meet future challenges regarding welfare service provision than small and medium-sized municipalities with higher dependency ratios, a higher dependency burden and a greater labour deficit

Most of the municipalities that are losing population are well aware of this, and are making efforts to reverse the trend.<sup>40</sup> One important task is to find strategies for creating vitality and making it possible for the whole country to live and flourish, and to ensure that all areas have equivalent access to important public services. Another task concerns how the many small and medium-sized municipalities are to finance welfare service provision and find skilled staff. In addition, the role that regional growth nodes could

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<sup>40</sup> See for instance Kvarnäck, 2012.

play in the quest for regional development in the future needs to be discussed. Meanwhile, new questions have arisen concerning whether some of today's county councils and municipalities are sufficient in strength and size, and whether the division of financing and operational responsibility between national, regional and municipal bodies needs to be re-examined.

### **Demographic development and future skills provision**

Sweden's demographic trend poses challenges not only for welfare financing but also for skills provision in the future. The welfare sector does not only need financing; it also needs to find skilled staff capable of providing welfare services of various kinds. This, too, represents a significant challenge, especially in the healthcare, elderly care and social care fields. Statistics Sweden estimates that up to the year 2030, demand for staff in these sectors will increase by 210 000 people, while supply is expected to remain more or less unchanged.<sup>41</sup> In the assessment of Sweden's public employment agency, meanwhile, 44 per cent of employees in the public sector as a whole will retire from the labour market for age reasons in the period up to 2025. Given the present inflow of labour, this would result in a deficit of 175 000 people in the public sector up to 2025. In some occupational groups, over half of all employees are expected to retire. This includes teachers in special needs education (66 per cent), district nurses (65 per cent), dental nurses (61 per cent), child nurses (58 per cent), upper secondary school teachers in vocational subjects (56 per cent) and midwives (55 per cent).<sup>42</sup>

This is the case at national level. At local level, the challenges are expected to be even greater in many quarters. Unfortunately, there is a lack of regional and local forecasts except in the case of the three metropolitan regions, Stockholm County, Region Skåne and Västra Götaland, where severe staff shortages are expected in 2020. These involve personnel with teacher training, upper secondary training in care services, upper secondary training in transportation, and training in engineering.<sup>43</sup> Even greater problems may be expected, however, in many small municipalities and county councils that are already finding it difficult to recruit

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<sup>41</sup> Statistics Sweden, 2012c.

<sup>42</sup> Arbetsförmedlingen, 2010.

<sup>43</sup> Axelsson & Bergström Levander, 2012; Statistics Sweden, 2012c.

sufficiently qualified staff. This is evident, for instance, from the increased use of locum doctors to fill staffing gaps at hospitals and clinics.<sup>44</sup> Should the dependency ratio continue to rise in many small and sparsely populated municipalities – due not only to an ageing population and young people moving to larger municipalities but also to a lower educational level and a less favourable labour market for the high-educated – many municipalities may find it increasingly difficult to recruit staff for the healthcare, social care and educational sectors in the future.

In other words, a future challenge that follows from demographic change in combination with a changing labour market will be growing shortages in certain occupational areas, not least healthcare, elderly care and social care. Another challenge concerns the question of where in the country skilled labour is needed and available, since there is a considerable risk that Sweden will experience growing imbalances. A third challenge involves matching training and employment. In recent decades, both labour training requirements and levels of education has increased, but in many cases the supply of high-educated people has risen faster than the demand for this group. According to Statistics Sweden, the country is facing a growing surplus of high-educated workers, especially in the humanities, the arts and natural science, and a deficit of those with upper secondary qualifications, not least in health and social care.<sup>45</sup> Today, it estimates that about 75 per cent of all employees are correctly matched in terms of training direction,<sup>46</sup> while other analyses suggest that only about half are correctly matched in terms of both direction and length of training.

At the same time, the question of what kind of training will be in demand in the future depends on how technological development, production processes, globalisation and the structure of the business sector change in the coming decades. Twenty years ago, the demand for people like computer technicians, web designers, environmental technicians, computer gaming programmers and developers of mobile apps was either very low or non-existent compared with the present situation, and the same applied to the availability of training in these fields. In future years, new occupations will emerge, and it will take time to build up relevant training courses in various areas. Perfect educational

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<sup>44</sup> Ek & Nyberg, 2012.

<sup>45</sup> Statistics Sweden, 2012c.

<sup>46</sup> Statistics Sweden, 2009a.

matching, therefore, will not be possible. The more changeable the business sector and the labour market are, the harder it becomes to design an educational system that reflects demand. It is all the more important, then, to improve results at compulsory school and upper secondary level, to develop re-training opportunities and further education, and to ensure that the educational system facilitates a high degree of adaptability and flexibility. Nor will a population such as Sweden's allow choice of education or occupation to be guided only by the practical consideration of labour market demand at various points in time.

In the welfare sector, however, it is easier to predict with a greater degree of certainty what future needs there will be for people like doctors, teachers, nurses, assistant nurses, dentists, recreation instructors and teachers in special needs education.<sup>47</sup> Meeting future demand for skills in these and other fields in the public sector, and doing so all over the country, will be a major challenge in the years ahead.

In other words, an important aspect of demographic development in Sweden is that the country is facing an extensive generational shift in the labour market. According to the public employment agency, some 1.6 million people will leave the labour market between 2010 and 2025, which means that the number of new young entrants will for the first time in several decades be lower than the number of people retiring for age reasons.<sup>48</sup> According to current immigration forecasts, all regions except the counties of Stockholm, Skåne, Västra Götaland, Halland and Uppsala will experience a drop in the number of people in the labour force. Apart from the fact that this will raise the dependency ratio and the dependency burden, and will contribute to a growing labour deficit in important sectors, the generational shifts risks leading to lower growth as a result of declining number of hours worked and a significant drain on skills in both the private and the public sphere.

While younger generations tend to have better formal qualifications than older generations, older labour often has greater experience and more extensive practical knowledge that cannot be acquired through study. It is normally best if the workplace has a mix of generations – and a mix of people of different sexes and from different backgrounds – but when rapid, far-reaching

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<sup>47</sup> Arbetsförmedlingen, 2010.

<sup>48</sup> Arbetsförmedlingen, 2010; Arena för tillväxt och Sweco Ecofutures, 2012.

generational shifts occur there is a risk that the experience and practical knowledge of older workers will be lost. This in turn may inhibit productivity and competitiveness, especially if business companies and public bodies do not engage in systematic efforts to transfer knowledge and skills from those who are on the way out of the labour market to those who are new to working life. This represents a growing challenge for companies and government agencies: how can knowledge and skills be preserved and passed on when increasingly large groups are in the process of leaving the labour market for age reasons?

## **Future welfare and a longer working life**

What ultimately helps create economic welfare and growth is access to and the use of work and capital of various kinds (fixed capital, financial capital, human capital, social capital and natural capital). The need to ensure that Sweden remains successful in the face of ever-growing international competition, and is able to maintain economic growth and finance welfare in the future, will impose heavy demands on policymakers, companies and individuals alike. An important element here is the need to use the various forms of capital in an innovative and sustainable way. Another important requirement is to boost productivity, i.e. how effectively we work and organise our production processes. A third aspect has to do with increasing the supply of labour, i.e. the number of hours we work during our lifetime.

In this perspective, our demographic development is a paradox. In recent centuries, Sweden's welfare state and educational system have been built up, material living standards have risen dramatically, production processes and working life have become less arduous, and our leisure time has steadily increased. This has helped us to live longer and healthier lives – and to spend less and less time working. However, this will inevitably result in a reduced labour supply and a higher dependency burden, which in turn threaten to jeopardise the future financing of welfare services.

To meet these challenges, we need to increase the number of hours worked. The best way of achieving this is to raise the labour activity rate among groups that currently have a relatively low rate. This may involve young people starting work earlier, for instance,

that older people work longer, or that unemployment among foreign-born people is reduced.<sup>49</sup>

In a recent study, Statistics Sweden examined different future scenarios and whether it would be possible in 2030 to keep the dependency burden at the same level as at present. For this to happen, if an additional 600 000 employed would be required. These scenarios are not forecasts and take no account of the fluctuations of the economic cycle over the next two decades, but they give a good idea of what factors would have the greatest impact on the dependency burden. Their conclusion is that the most important factors are the activity rates among the older and the foreign-born. In none of the individual scenarios (see Table 5.1) does employment increase by 600 000 people, but if the older were to work four more years it would increase by 339 000, and if the rate among foreign-born persons were to approach three quarters of the rate for native-born persons, it would increase by a further 293 000.

One conclusion that may be drawn from this is that we face three major challenges for the future: to boost the activity rate among foreign-born persons (see Chapter 6) and among older persons – which will be increasingly important for the future financing of welfare – and to ensure a good supply of skills nationwide. This also implies allowing greater flexibility in different stages of life – when you are young, a parent or older – to facilitate studies, family life and working life.

While it is becoming increasingly important to prolong working life, the chances of working longer have improved. This is due not least to the fact that the service sector has grown, that many physically wearing jobs have disappeared, that many production processes have changed so that they are now less arduous, that the working environment has improved and that the welfare state has expanded and improved rehabilitation services. We are not just living longer, we are also healthier longer. Thus an important task is to continue efforts to improve both the working environment and working conditions so that people have the ability to work later in life.<sup>50</sup>

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<sup>49</sup> Statistics Sweden, 2012d; Anderstig, 2012; Blix, 2013.

<sup>50</sup> Nordmark, 2013.



**Table 5.1** Increased number of gainfully employed 2030 according to different scenarios

Scenario 1: Older people work one year longer	+ 90 000
Scenario 2: Older people work two years longer	+ 179 000
Scenario 3: Older people work three years longer	+ 261 000
Scenario 4: Older people work four years longer	+ 339 000
Scenario 5: Young people (24–30 years) start working one year earlier	+ 21 000
Scenario 6: Young people (24–30 years) start working two years earlier	+ 42 000
Scenario 7: Young people (24–30 years) start working three years earlier	+ 62 000
Scenario 8: Activity rates among foreign-born population come 25 per cent closer to those among the native born population	+ 98 000
Scenario 9: Activity rates among foreign-born population come 50 per cent closer to those among the native born population	+ 195 000
Scenario 10: Activity rates among foreign-born population come 75 per cent closer to those among the native born population	+ 293 000
Scenario 11: Women work more and the difference in the activity rates of women and men is reduced by 50 per cent	+ 50 000
Scenario 12: Women work to the same extent as men	+ 100 000

Source: Statistics Sweden, 2012d, p. 41.

In recent years, the activity rate has increased among older people; between 2005 and 2010, the increase among those aged 60–64 was three percentage points and among those aged 65–69 seven percentage points. This is partly due to the fact that the new pension scheme rewards a longer working life, and that the increased job tax deduction for those who have turned 65 has given people a greater financial incentive to work longer. Another explanation is that the level of education has risen, since the high educated and the self-employed are more likely to retire later.<sup>51</sup> A third explanation is that a growing number of older people are in

<sup>51</sup> Statistics Sweden, 2012d, p. 22; Swedish Work Environment Authority, 2012; Swedish Government Official Report, SOU 2012:28; Swedish Pensions Agency, 2012.

good health, although there are considerable variations between individuals and between occupational groups.<sup>52</sup> There are also studies showing that more retired people want to work longer. In January 2013, 19 per cent of pensioners interviewed said they would have liked to work longer if this had been possible and the conditions had been right. This figure is 3 percentage points higher than the figure in a similar study undertaken in 2010.<sup>53</sup> A flexible working life and the opportunity to work part-time and to change careers are often cited as important prerequisites if older people are to stay in work longer.

Many obstacles remain, however. Not least among them is the reason given by many who have chosen to leave the labour market earlier than they perhaps would have liked: a negative attitude among employers towards older labour, and age discrimination. One study shows, for instance, that less than half of the employer group – 45 per cent – feel that employees over the age of 60 should remain in the labour market given the forthcoming labour shortage. Among both employers and union staff, more than 40 per cent consider that older people are less adaptable to organisational change, that they are not as good at learning new technology and that they are less well educated. Between 10 and 20 per cent also feel that older people are less motivated than young people and that they should retire earlier so as to make way for the young.<sup>54</sup> In addition, many harbour a belief that a greater number of older people in the labour market would make it more difficult for young people to find work, although research shows that there is no such link.<sup>55</sup>

Here, the business sector and public employees could play a key role by combating discrimination of older people and developing strategies to retain and recruit older labour. This is emphasised in an international study showing that only about 10 per cent of Swedish employers currently have a strategy for retaining or recruiting older labour, which places Sweden near the bottom of the table among the countries reviewed.<sup>56</sup> At the same time, studies show that more than one wage earner in four over the age of 50 feels discriminated against on the grounds of age and that as many

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<sup>52</sup> Swedish Work Environment Authority, 2012; Swedish Government Official Report, SOU 2012:28.

<sup>53</sup> <http://media.amf.se/2013/01/24/manga-pensionarer-hade-velat-jobba-langre/>

<sup>54</sup> Swedish Government Official Report, SOU 2012:28, pp. 249–258.

<sup>55</sup> Swedish Government Official Report, SOU 2012:28; Blix, 2013.

<sup>56</sup> Manpower, 2006.

as 80 per cent feel that their age is an obstacle to their careers if they want to change jobs.<sup>57</sup> According to the Retirement Age Inquiry, these negative attitudes towards older people is one of the most important explanations for why many choose to leave working life earlier than they could have done or would have liked to have done.

Negative attitudes towards older people in the labour market are both a problem in itself and an obstacle to boosting the activity rate among older people and thereby meeting the challenges posed by the demographic development. When people stay healthy longer, when increasing numbers want to work longer and have the health and intellect to do so, and when the need of older labour grows to offset the future increase in the dependency ratio and reduce the risk of losing skills in connection with coming generational shifts, it is high time to revise out-dated perceptions of age and older labour.

Physically and in terms of intellectual capacity, someone who is 65 or 75 years old today is much younger than someone who was 65 and 75 in previous decades; the difference in physical and intellectual age may be as much as 10–15 years.<sup>58</sup> Not least because of a higher level of education and improved workplaces, people are less worn out physically today and exercise their brains more in the course of their lives, and both factors impact on the ageing process. This paves the way for new opportunities and more careers during a person's working life, and should be given greater consideration in our perceptions of older people and of the different stages in life.

Instead of viewing life as a linear process in which you educate yourself, work in a profession and then retire, this development makes possible a life in which people can train and re-train several times, change jobs and perhaps also career paths several times and later in life; one in which people at different times in life could combine work, study and recreation in new ways, whether they are 45, 55 or 75 years old. People may not be able or willing to work with the same things or to do exactly the same amount of work at different ages, but this is precisely why there should be opportunities to change course and to do more or less work at different times in life. This would create new opportunities for individuals, for

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<sup>57</sup> TNG, 2011.

<sup>58</sup> Ennart, 2013, pp. 25–26.

companies and for the community as a whole.<sup>59</sup> Another question closely associated with the above one is that of a higher establishment age in the labour market and opportunities for combining family life with work and study.

To sum up, the demographic development and urbanisation are presenting new challenges that ultimately concern the sustainability of the Swedish welfare model, not only at the national level but also in different parts of the country. For the sake of our future welfare and the national cohesion, it is vital that we find the right responses to these challenges.

“Creating a society where both young and old live, and where there is a mix of people from different ethnic backgrounds, is important for getting cultural traditions in. We believe this is what is needed to combat the segregated society that we partly see in Sweden today.”

Onedirection, 18, Härryda, from the Future Sweden project

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<sup>59</sup> See Beck-Friis, 2012.

# 6

## The challenges of migration and integration





## 6 The challenges of migration and integration

“Then I think it would make Gotland more attractive, too, if we focus on taking in immigrants and showing that this works – that together we can become a strong, multicultural island. So what I want in 2025 is for the focus to be on young people and immigrants. Because that’s exactly what the future is, multicultural and the young.”

Amanda Sollén, 18, Gotland, from the project Future Sweden

### Introduction<sup>1</sup>

Ever since the beginning of time, people have moved between regions and between different parts of the world. Long before the formation of nation states, people moved to escape starvation and famine, war and oppression, and to seek a better life for themselves elsewhere. Up until the 20th century and the First World War, free immigration and free emigration were considered natural in most countries. It was only with the emergence of nationalism that nation states developed the administrative capacity to control their borders, and it was around the time of the First World War that countries gradually began to regulate immigration.<sup>2</sup> The desire to move elsewhere, in order to improve one’s life, whether within a country or between countries, is and will remain a fundamental human aspiration.

Migration between countries affects both the country that migrants leave and the country they arrive in, as well as the migrants themselves. To leave your country, your home, your nearest and dearest and the environment to which you are

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<sup>1</sup> This chapter is based, inter alia, on the interim report on future integration challenges prepared as part of the Commission on the Future remit. See Joyce, 2013.

<sup>2</sup> Goldin et al., 2011.

accustomed for an unknown future in another country is never an easy decision. Learning to understand how a new society works, learning the language and the social and cultural codes, is always a challenge. Although the migration process is often dangerous, painful and difficult, people develop as human beings as a result of the new experiences and knowledge they acquire when they migrate. For those fleeing oppression, persecution and war, migration means gaining access to a life of freedom and security. For those who migrate to find a better life for themselves and their families, it represents an opportunity to improve their material situation. For those who migrate to live with a close relative, or because they have found love in another country, migration means the possibility of a richer emotional and social life. Even if migration sometimes ends in tragedy, and many dreams of what it might yield are never realised, global migration has over the years helped millions of people to a better life.

As a rule, the countries that migrants leave gain from their departure, although poorer countries may suffer an unwanted 'brain drain' when well-educated labour migrates to richer countries. In countries like Jamaica, Morocco, Tunisia and Gambia, for instance, more than 60 per cent of university graduates emigrate to richer countries. Research suggests, however, that the negative effects of this are only short-term while the long-term effects are more favourable. People in poorer countries choose to go to university largely because they know that it will give them a chance to emigrate to richer countries, and increased migration of this kind thus leads to more people entering higher education.<sup>3</sup>

Many of those who emigrate return at some point and bring back new knowledge and experience that can help their native country to develop. By keeping in touch with family and friends, migrants also help transfer knowledge and experience to their native country – a process that has been facilitated by the development of information technology. Another vital contribution is the transfer of money, or remittances, to family and friends in the country of origin. In 2009, approximately USD 307 billion was transferred to recipients in various developing countries around the world, which may be compared with the total amount of international aid in the same year, namely USD 120 billion.<sup>4</sup> These remittances are important not only to the recipients but also

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<sup>3</sup> See Goldin et al., 2011, p. 179–186.

<sup>4</sup> World Bank, 2011, p. 17.



to the country of origin as a whole in that they encourage consumption and increase people's chances of making investments, which also helps boost welfare and employment.<sup>5</sup> In countries like Tajikistan, Tonga, Lesotho, Moldavia and Nepal, remittances in 2010 accounted for between approximately a quarter and a third of total GDP.<sup>6</sup>

The fact that migration also enhances development in the country that migrants move to is at least as important. Migrants bring with them knowledge and experience that can help spread ideas and innovations and thereby contribute to creativity and new ways of thinking. They also contribute to economic growth through their work input and their consumption, they fill an important role in the labour market, they start companies and create jobs, and they help stimulate international trade and act as bridge builders between countries.<sup>7</sup> Since migrants are often young and of working age, immigration also improve the ability of recipient countries to meet demographic challenges. Insofar as migration represents a financial cost, this is short-term and relatively low, while the benefits are both long-term and economically, socially and culturally valuable.<sup>8</sup> The exact material benefit to the recipient country varies across countries and is difficult to calculate, but the World Bank estimates that a 3 per cent increase in global migration up to the year 2025 would boost global GDP by USD 368 billion.<sup>9</sup> The key question in research, therefore, is not whether immigration is beneficial but how great these benefits are.<sup>10</sup> Just as the free movement of capital, goods and services helps to increase prosperity, so does the free movement of people.

What this brief summary shows is that migration can bring substantial advantages to the country of origin, the recipient country and the migrants themselves, and thus represents a threefold benefit. It also underlines the fact that there are at least three reasons why Sweden also in the future should be a country that is open to various types of migration.

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<sup>5</sup> Swedish Government Official Report, SOU 2010:40; Norberg & Segerfelt, 2012.

<sup>6</sup> World Bank, 2011.

<sup>7</sup> Johnson, 2010; Norberg & Segerfelt, 2012; Goldin et al., 2011; World Bank, 2006; Swedish Government Official Report, SOU 2010:40.

<sup>8</sup> The short-term gains or costs relating to migration are approximately +/- 1 per cent of GDP. In Sweden's case, migration up to the end of the 1980s represented a source of income. Since then, it is estimated to have entailed a short-term cost of approximately 1–2 per cent of GDP. See Ekberg, 2011; Goldin et al., 2011.

<sup>9</sup> World Bank, 2006, p. 31; NIC, 2012, p. 26.

<sup>10</sup> Swedish Government Official Report, SOU 2010:40; Norberg & Segerfelt, 2012.

Firstly, migration has always been with us, and as globalisation progresses and it becomes simpler and cheaper to travel, it is reasonable to expect an increase in international migration. How many will find their way to Sweden in the future, and for what reasons, we cannot know for certain, but international migration is a fact that cannot be ignored.

Secondly, there are strong moral arguments for why Sweden and other countries should help people who are fleeing from wars, disasters, oppression and persecution. Each and every individual has rights that are universal, absolute and inviolable. One of the most fundamental is the right to freedom from oppression and persecution and the right to physical security. If people are not granted these rights in other countries, Sweden has a moral responsibility to help. This responsibility is expressed both in legislation and in international conventions.

Thirdly, it is very much in Sweden's own interest to ensure that migration to this country continues. Migration not only helps to spread ideas and innovations, boost entrepreneurial activity and growth, as well as to create jobs and stimulate international trade, it also enhances diversity and makes Sweden a richer country socially and culturally. Thus, in addition, migration helps to enhance creativity. A good example in this respect is the US, where immigrants have founded large, well-known companies such as Google, Intel, eBay and Yahoo, and where they account for about a quarter of all patents.<sup>11</sup> Examples of Swedish entrepreneurs include the bicycle king Salvatore Grimaldi, the magazine entrepreneur Amelia Adamo, hotel owner Bicky Chakraborty and clock chain tycoon Ayad Al Saffar. Bearing in mind the demographic challenges that lie ahead, and the fact that migrants have a lower dependency ratio than native Swedes, migration will also be an important element in future efforts to meet these challenges.<sup>12</sup>

The extent to which migration will contribute to Sweden's future development, however, is closely dependent on how well integration works. When integration works poorly, this can create both economic and social tensions. The higher the level of economic and social integration, the greater is the benefits both to the migrants themselves and to Sweden as a country. The present chapter accordingly reviews and discusses the future challenges

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<sup>11</sup> Goldin et al., 2011, p. 168.

<sup>12</sup> Statistics Sweden, 2012a.

facing Sweden in terms of labour market integration. In Chapter 8, we will return to the question of social integration.

## Migration to Sweden from a historical perspective

Over the centuries, Sweden has been a country of both immigration and emigration. Among the early immigrant groups were Germans who moved to Sweden in the Middle Ages, the Walloons who migrated here and built up the iron ore trade in Bergslagen in the 17th century, and the English, Scottish and German immigrants who arrived in the 18th century and built up trade and commerce in Gothenburg.<sup>13</sup> During the second half of the 19th century and up to about 1920, however, the dominant shift was the great wave of migration to America that saw 1.2 million Swedes crossing the ocean.<sup>14</sup> Some 200 000 of these Swedes later returned to Sweden, but their departure aroused such concern that the government in Stockholm set up a special inquiry body to combat emigration. It forecast that emigration from Sweden would continue.<sup>15</sup>

Over the following decades, however, the situation would change, and around 1930 immigration exceeded emigration for the first time on record. Since then, Sweden has had more immigrants than emigrants virtually every year (see Figure 6.1).

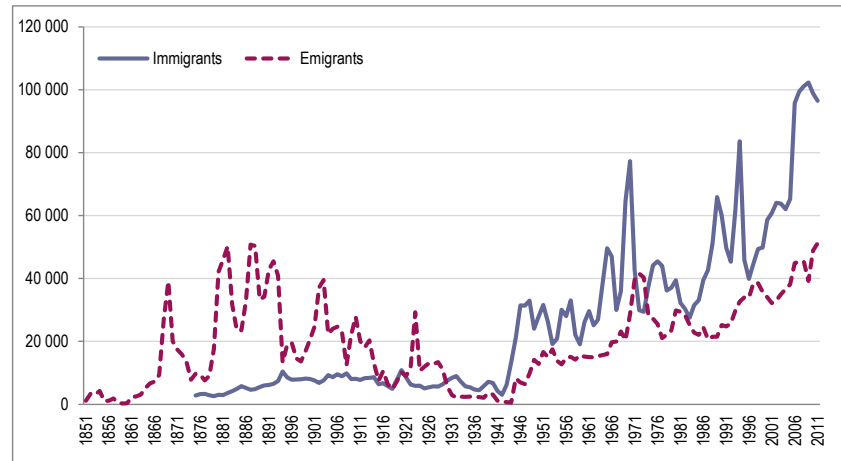
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<sup>13</sup> Swedish Government Official Report, SOU 2010:40; Johnson, 2010; Svanberg & Tydén, 2005.

<sup>14</sup> See for instance Henricson & Lindblad, 1995.

<sup>15</sup> See for instance Swedish Government Official Report, SOU 2010:40; Wadensjö, 2012.

Figure 6.1 Immigration and emigration to and from Sweden 1851–2011



Source: Statistics Sweden, Population statistics.

Sweden's modern history as a country with a significant degree of net immigration began after the Second World War. During the period from 1945 to the 1960s, immigration was dominated by labour immigrants from the Nordic countries in particular and from Germany, Italy, Austria, Yugoslavia, Greece and Turkey. Swedish industry had managed to survive intact through the Second World War and demand for labour was extensive. Towards the end of the 1960s, however, the economic trend weakened, which resulted in a declining labour demand. In 1967, the labour immigration system then in place was abolished and non-Nordic citizens were forced to apply for work permits before they were allowed to enter Sweden.

From the 1970s onwards, refugee immigration and, as time passed, family reunification instead increased. The groups that have dominated this type of integration have varied over time but have reflected the regions in which wars and crises have occurred. In the 1970s, for instance, many refugees arrived from Latin America. In the 1980s many came from Lebanon, Iran and Iraq, and in the 1990s from the disintegrating former Yugoslavia, torn apart by civil war.

A third phase began with Sweden's membership of the EU in 1995, which brought among other things freedom of movement within the EU zone. This led to a rise in labour immigration,

especially after the EU was enlarged from 15 to 27 countries. Since then, many immigrants have arrived from countries such as Poland and the Baltic states. In 2008, Sweden liberalised the rules for labour immigration, as a result of which citizens from countries outside the EU and the Nordic area, too, are now entitled to residence and work permits if they find a job here first.

During the period 1980–2011, just over 1.4 million people were granted residence permits in Sweden. About 70 per cent of them were refugees, people otherwise in need of protection, or family members, while some 20 per cent were labour immigrants with family members or came from countries in the EU/EES zone (Table 6.1).

**Table 6.1** Grounds for granting residence permits 1980–2011

Grounds	Number	Percentage
Refugees/People in need of protection	390 379	27,5
Family members of refugees/people in need of protection	138 069	9,7
Other family members	478 514	33,7
EU/EES	215 255	15,2
Labour immigrants with family members	58 871	4,1
Students	114 984	8,1
Adopted children	23 537	1,7
<b>Total</b>	<b>1 419 609</b>	<b>100</b>

Source: Eriksson, 2010, Joyce, 2013.

While immigration has increased over time, so has emigration. Increases in immigration are usually accompanied by increases in emigration: some people return to their native country and others move on to a third country.<sup>16</sup> Although the statistics are incomplete, it is clear that at least 170 000 foreign-born persons have left Sweden since 2000 after living here for a period of time. It is not clear how many native-born persons have emigrated to live in

<sup>16</sup> Swedish Government Official Report, SOU 2010:40; Goldin et al., 2011.

other countries, but estimates suggest they number around 250 000.<sup>17</sup>

### **Sweden – a country of immigration**

As a result of immigration, Sweden has developed over the past few decades into a country of immigration marked by considerable diversity in terms of where people come from. In 1970, around 93 per cent of the population was Swedish-born, but since then the proportion of foreign-born persons has increased from 7 to 15 per cent of the total population. At the same time, the proportion of native-born persons with two foreign-born parents has increased from 1 to 4 per cent, and the proportion of native-born persons with one foreign-born parent has increased from 3 to 7 per cent of the population. If by foreign background we mean those who are either born abroad or have one or two parents who were, the share of the population with foreign background has increased from 11 to 26 per cent.<sup>18</sup>

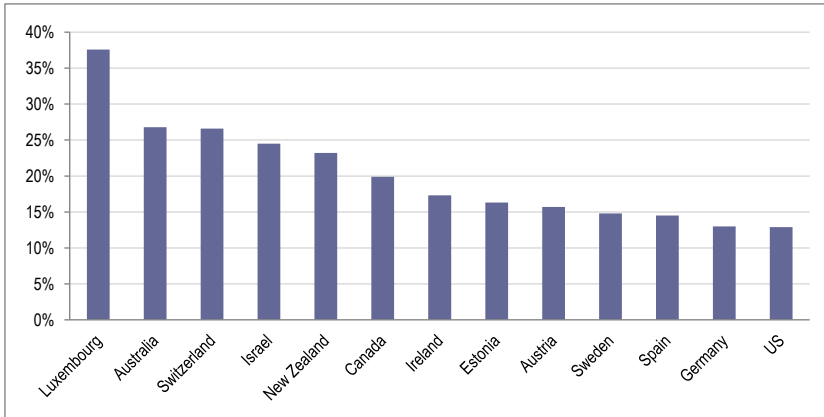
If we only count those who were born abroad, Sweden is actually one of the OECD countries with the highest proportion of foreign-born persons in the population. The US is often cited as an example of a true immigration country, but the OECD's statistics show that Sweden in fact has a slightly larger share of foreign-born persons in the population (see Figure 6.2).

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<sup>17</sup> Swedish Government Official Report, SOU 2010:40, p. 81–83. See also Lifvendahl, 2011, re Swedes living abroad.

<sup>18</sup> Statistics Sweden, Population statistics.

Figure 6.2 Proportion of the population born abroad, 2010 (per cent)



Source: OECD, 2012c, pp. 336–337.

It is clear from this that the image of Swedes as a homogeneous people is out-dated. It also means that dividing the Swedish population into two groups, immigrants and Swedes, is misleading. People have different kinds of foreign backgrounds, and they come from many different countries around the world. The fact that one person in four in Sweden has some form of foreign background if we go back only a generation shows that there are many different ways of being Swedish, however ‘Swedishness’ is defined.<sup>19</sup> If we went back one or two more generations, an even greater number are of foreign descent.<sup>20</sup>

If we concentrate on those who were born abroad, the Swedish population today contains people from 205 different countries. Persons from the Nordic countries make up about 20 per cent of the foreign-born group, while almost half come from a country outside Europe. Table 6.2 shows the 15 most common countries of birth among foreign-born persons in Sweden.

<sup>19</sup> Mahmood, 2012, 2013.

<sup>20</sup> Svanberg & Tydén, 2005; Johnson, 2010.

**Table 6.2** Most common countries of birth among foreign-born persons in Sweden 2011

	Number	Percentage
Finland	166 723	11,7
Iraq	125 499	8,8
Poland	72 865	5,1
Yugoslavia	70 050	4,9
Iran	63 828	4,5
Bosnia and Herzegovina	56 290	3,9
Germany	48 442	3,4
Denmark	44 951	3,2
Turkey	43 909	3,1
Norway	43 058	3,0
Somalia	40 165	2,8
Thailand	33 613	2,4
Chile	28 385	2,0
China	25 657	1,8
Lebanon	24 394	1,6
Other countries	539 467	37,8
<b>Total</b>	<b>1 427 296</b>	<b>100</b>

*Source:* Statistics Sweden, Population statistics.

Which countries people emigrate from, however, tends to vary over time. In recent years, for instance, an increasing number have come from Afghanistan and Somalia, as a result of the wars and conflicts in these countries, and their disintegration. For the same reason, an increasing number of refugees are now arriving from Syria. In the case of those who come to Sweden as refugees, both their numbers and their country of origin depend on the whereabouts of the armed conflicts, wars or persecution they are fleeing from, and also on what their chances are of reaching Sweden and what the regulations in Sweden and other countries say. Of the world's 40



million-odd refugees, most are refugees in their own country, and of those who manage to flee their countries, most end up in neighbouring states. Only a small proportion manages to make their way to remote countries such as Sweden.

Family member immigration, on the other hand, is dependent on the previous extent of migration and on how permissive the regulations are. In 2011, just over 30 000 people were granted Swedish residence permits as family members, and of this total 10 per cent were related to people in need of protection.<sup>21</sup>

The regulations also influence labour immigration to a great extent, but so do a number of other factors. Migrating to another country can be viewed as an investment. Assuming that labour migration is possible, the decision to migrate is influenced by what the migrant anticipates in the way of costs and benefits – economic, social and psychological – compared with what might happen if he/she chose to stay at home. Thus, migration decisions are greatly influenced by the economic and employment situation both in the person's native country and in the recipient country. Generally, labour migration goes from countries with relatively low incomes to countries with relatively high ones, especially if the costs of moving are substantial.<sup>22</sup>

One thing is clear, however: as long as there are wars and persecution, oppression, starvation and material hardship, as long as people dream of a better, freer and more secure life, and as long as people find love in other countries, migration will continue. This means that the question of integration in the Swedish labour market is of crucial concern, both now and in the future.

## Foreign-born persons in the Swedish labour market

At present, Sweden has more than 700 000 foreign-born persons in gainful employment. This is more than ever before; almost one person in six working in Sweden today was born abroad.

People born in the Nordic area and other parts of the EU work in roughly the same industries and sectors as those in the native-born group. People born in the Nordic countries, however, tend to work in the manufacturing or care sectors to a slightly greater

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<sup>21</sup> Swedish Government Official Report, SOU 2012:69, p. 16.

<sup>22</sup> For a discussion on factors that influence immigration, see for instance Goldin et al., 2011; Wadensjö, 2012.

extent. People from non-EU countries in Europe work in manufacturing to a far greater extent than native-born Swedes. Those born in Africa or Latin America are much more likely to be found in the healthcare and social care sectors. Foreign-born persons from Asia are significantly over-represented in the service sector, especially in hotels and restaurants.<sup>23</sup>

Foreign-born persons are more likely than native-born persons to work in occupations below their level of education. In 2010, just over 70 per cent of native-born persons and foreign-born persons from the Nordic area with post-secondary qualifications actually worked in occupations that required this level of training. Among foreign-born persons from EU/EFTA countries, the share was just over 60 per cent and among other foreign-born persons it was just under 50 per cent.<sup>24</sup>

At the same time, some 70 000 foreign-born persons operate businesses in Sweden and are estimated to employ around 200 000 people.<sup>25</sup> For many migrants, entrepreneurship is a path to economic support not only for themselves but also for their foreign-born employees.<sup>26</sup> It represents an employment path for many who are unable to find work by other means. Among foreign-born employed persons, an estimated 10.4 per cent are self-employed, compared with 9.4 per cent among native-born persons.<sup>27</sup> In other words, foreign-born persons are over-represented among entrepreneurs, and on average have more employees than native-born entrepreneurs. People with backgrounds in the Middle East are the most enterprising; they are 2–5 times more likely to operate a business than native-born persons.<sup>28</sup> The proportion of self-employed with foreign backgrounds is even higher in metropolitan areas: in 2006, the figure was 24 per cent in Stockholm and around 18 per cent in Gothenburg and Malmo.<sup>29</sup> In the same year, self-employed persons with foreign backgrounds reported a turnover of almost SEK 110 billion and contributed just over SEK 35 billion to Sweden's GDP.<sup>30</sup>

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<sup>23</sup> Joyce, 2013.

<sup>24</sup> Joyce, 2013.

<sup>25</sup> Joyce, 2013; Tillväxtverket, 2010.

<sup>26</sup> Saatchi & Sanandaji, 2013; Klinthäll & Urban, 2010b.

<sup>27</sup> Statistics Sweden, AKU.

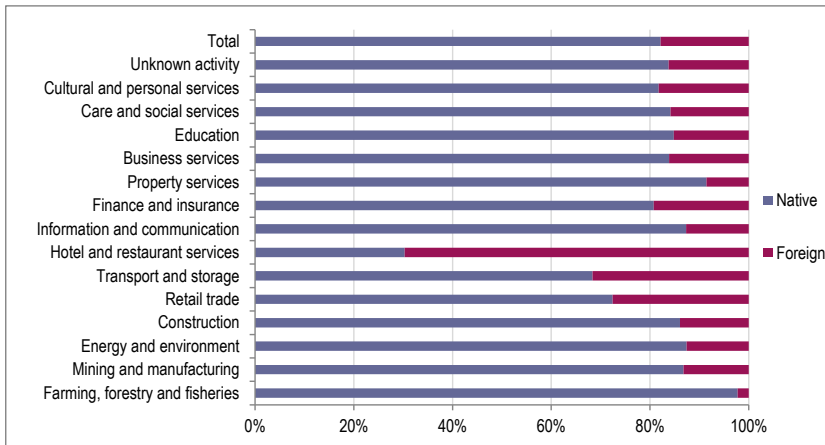
<sup>28</sup> Joyce, 2013, p. 144.

<sup>29</sup> Klinthäll & Urban, 2010a, p. 122. Foreign background refers here to either having been born abroad oneself or having one or two parents who were.

<sup>30</sup> Tillväxtverket, 2010; Klinthäll & Urban, 2010a.

The foreign-born self-employed are most widely represented in the hotel and restaurant sector – where more than half of all companies are owned by someone with a foreign background – and in the transport and retail sectors. In industries such as construction, business services, finance and insurance, healthcare and social care, foreign-born persons make up 10–20 per cent of all self-employed.

**Figure 6.3** Native-born and foreign-born self-employed persons 2010, by industry



Source: Statistics Sweden, Register-based labour market statistics.

What this shows is that foreign-born persons make up an important part of the labour market and Swedish enterprise. At the same time, employment is lower and unemployment higher among foreign-born than among native-born persons, which represents a challenge both for society and for those foreign-born persons who are outside the labour market. All stand to gain from more effective integration in the labour market. Those outside the labour market would get meaningful work, be financially better off, enjoy more freedom and independence and have a greater sense of belonging. From the standpoint of society, better integration would mean turning valuable skills to better account, which would also reduce public expenditure and boost tax revenue. Better integration would also make it easier for Sweden to meet the challenges posed by the demographic development. As Chapter 5

showed, the two most important success factors here are a longer working life and a higher activity rate among foreign-born persons.

On the question of Sweden's progress towards an integrated labour market, different international comparisons show different results. According to the British *Migration Policy Index* (MIPEX), Sweden ranks first among all 31 OECD countries.<sup>31</sup> This index measures the formal opportunities available to immigrants in the labour market on the basis of indicators such as equal opportunity in employment, access to education and training, and protection against discrimination. It does not, however, measure how well integration is actually working.

If instead the *difference in employment* between native-born and foreign-born persons is taken as a measure of integration, the OECD shows the very opposite: that Sweden has the largest gap of all 31 countries (see Table 6.3). In 2011, employment among native-born persons was 76.6 per cent and among foreign-born persons 62.6 per cent. Thus the gap was 14 percentage points. The second largest difference was in Denmark, followed by the Netherlands and Belgium. In several countries, meanwhile, the difference was less than 5 per cent or the activity rate was higher for foreign-born than for native-born persons.

Which indicators are the fairest for measuring integration is not self-evident, however. One important reason why the gap between native-born and foreign-born persons is wider in Sweden than in many other countries is that the activity rate among native-born women is unusually high, in fact one of the highest in the OECD group. This particular difference between Sweden and other OECD countries – as opposed to the absolute employment levels – is thus attributable less to a low activity rate among foreign-born persons in general than to a high rate among native-born women. At the same time, employment in Sweden among foreign-born women is consistently 10 percentage points lower than among foreign-born men, which represents an important challenge from a gender equality viewpoint. Thus the gap between native-born and foreign-born women is particularly wide in Sweden.

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<sup>31</sup> <http://www.mipex.eu/sweden>

**Table 6.3** Employment among native-born and foreign-born persons in general and among women in certain OECD countries 2011 (per cent)

	Native-born	Foreign-born	Difference	Native-born women	Foreign-born women	Difference
Sweden	76.6	62.6	14.0	75.1	57.5	17.6
Denmark	74.7	61.6	13.1	72.3	58.0	14.3
Netherlands	76.0	63.6	12.4	71.9	57.0	14.9
Belgium	63.7	52.6	11.1	59.1	44.4	14.7
Finland	69.4	61.1	8.3	68.0	55.8	12.2
France	64.8	57.4	7.4	61.1	50.1	11.0
Germany	73.8	66.5	7.3	69.7	57.8	11.9
Norway	76.0	70.2	5.8	74.3	66.8	7.5
Canada	72.8	68.8	4.0	70.6	63.0	7.6
UK	70.0	66.5	3.5	65.7	58.1	7.6
US	65.1	67.5	-2.4	61.9	56.7	5.2
Israel	59.5	65.8	-6.6	55.9	61.4	-5.5

Source: OECD, 2012c. The percentage refers to the proportion of employed persons aged 15–64.

Comparisons between countries are also influenced by differences between them that have less to do with how integration works than how the labour market in general works, what the level of gender equality is and what structure the labour market has. The character of the immigration also influences such comparisons, i.e. by which people immigrate to the various countries and what backgrounds they have.

The key question, therefore, is not how well Sweden performs in comparison with other countries but what the situation is in Sweden itself and why employment is lower and unemployment higher among foreign-born persons than among native-born. An analysis of what factors are involved here could offer valuable clues as to how Sweden is to go about the task of improving integration in the labour market.

## Integration in the Swedish labour market

A lower activity rate and a higher unemployment rate among foreign-born persons than among native-born persons is by no means inevitable. In a number of OECD countries, the opposite is the case, as in fact it was in Sweden until the early 1970s. It was only then that the activity rate among foreign-born persons began to decline.

The most important explanation is that immigration changed character – from having previously been dominated by labour immigration to being dominated by refugees and family members. If we compare the activity rates of different immigrant groups in Sweden, the overall pattern is that the rate is highest among those who arrived as labour immigrants and lowest among those who came as refugees, while those who came as family members have a slightly higher activity rate than those with refugee status.<sup>32</sup>

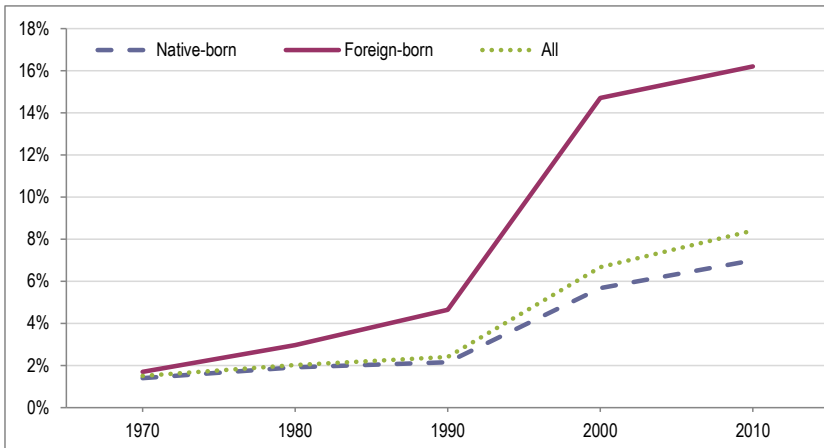
In recent decades, however, some 70 per cent of those who have migrated to Sweden have either been people in need of protection or family members (see Table 6.1); and, especially since the economic crisis of the 1990s, the position of foreign-born persons in the labour market has deteriorated both in itself and in comparison with that of native-born persons. As for relative unemployment, this increased among foreign-born persons from 1.7 to 16.2 per cent between 1970 and 2010, while it rose among native-born persons from 1.4 to 7.0 per cent (see Figure 6.4). In the same period, the activity rate increased from 72 to 76 per cent among native-born persons, primarily because the rate among women rose sharply from 58 to 75 per cent, while among foreign-born persons it fell from 76 to 62 per cent.<sup>33</sup>

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<sup>32</sup> Eriksson, 2010; Joyce, 2013; Statistics Sweden, 2009b; Segendorf & Teljosuo, 2011; Le Grand et al., 2013.

<sup>33</sup> Statistics Sweden, Labour Force Survey. See also Eriksson, 2012; Joyce, 2013; Swedish Government Official Report, SOU 2012:69; Swedish Government Official Report, SOU 2010:88.

**Figure 6.4** Relative unemployment among native-born and foreign-born persons 1970–2010.



Source: Statistics Sweden, Labour Force Survey.

While labour immigrants usually have a job waiting for them on arrival in Sweden, asylum seekers often need a longer period to become established and look for work. While labour immigrants *move to* Sweden, asylum seekers are usually trying to *move away from* their country of origin, and this, along with the difficult circumstances that often underlie migration, means that they are less prepared for life in a new country. It takes time to learn a new language and how a new society works – to learn and understand the social and cultural codes that are vital to a community but that are often unspoken – and it takes time to build up networks. Researchers seeking explanations for the lack of integration in the labour market identify four factors in particular: inadequate knowledge of Swedish, fewer contacts and networks, discrimination, and the fact that the Swedish labour market's entry thresholds put foreign-born persons at a disadvantage.<sup>34</sup>

<sup>34</sup> See the review of this in Joyce, 2013.

*Inadequate knowledge of Swedish*

A major obstacle to rapid integration in labour markets is an inadequate command of the local language. This is particularly true of Sweden – in contrast to English-speaking and French-speaking countries – since less than 0.2 per cent of the world's population speak Swedish and very few speak the language when they arrive. Both international and Swedish research show that a good command of the host country's language is crucial both to the immigrant's chances of finding employment and to his or her coming wage level.<sup>35</sup> One study showed, for example, that the likelihood of finding employment increased by 10 percentage points if the person had a good command of Swedish, and that pay among academics was 30 per cent higher in the case of those proficient in the language.<sup>36</sup>

There is a lack of wide-ranging, up-to-date studies on the level of Swedish language skills among foreign-born persons living in Sweden. But three studies carried out in 1993, 1998 and 2003 found that this group often had a poor or a very poor level of knowledge in terms of reading, understanding and speaking Swedish. However, the percentage of those deemed to have poor language skills varied from study to study – between 12 and 36 per cent in the case of spoken Swedish and between 28 and 66 per cent in the case of reading skills.<sup>37</sup>

The differences in language skills follow a pattern: people from Scandinavian countries have the best command of Swedish, followed by people from other parts of Europe and finally people from non-European countries. How well the respective groups succeed in the labour market follows the same pattern. The causal connections, however, are not a given. Good language skills make it easier to find a job, but a job may also help someone to learn better Swedish.

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<sup>35</sup> A review of a dozen Swedish and international studies on the correlation between language skills and success in the labour market is found in Rooth & Strömblad, 2008.

<sup>36</sup> Rooth & Eslund, 2006.

<sup>37</sup> Rooth & Strömblad, 2008.



*Fewer contacts and networks*

Another obstacle to integration in the labour market is that many job openings are filled through informal contacts, while foreign-born persons for obvious reasons have less access to informal employment networks than native-born persons. It takes time to build up networks, and if contacts and networks are to be an aid in finding employment, the people who form part of them need to be established in the labour market themselves. Studies also show that compared with foreign-born persons from non-Western countries, native-born persons are more likely to have people with qualified occupations in their networks, and that native-born persons who find employment through informal contacts are better paid than those who take the formal route to employment. The opposite applies to foreign-born persons, which shows both that people in this group generally have lower-quality networks and contacts and that the networks they have more often lack the ability to help them find qualified occupations.

*Labour market thresholds*

Another obstacle to integration has to do with the thresholds for labour market entry. Here, wage costs and the total costs of employing someone are particularly important. A high entry wage after tax makes it easier for those in work to support themselves, but for employers high wage costs make it more expensive to employ less qualified and less productive job seekers. This affects not only foreign-born persons but also other groups in a weak position in the labour market, such as the low educated and the young.<sup>38</sup> One way of reducing overall wage costs without net pay being affected is to lower employer's contributions in relation to this specific group.

Stricter rules on employment protection can also make employers less inclined to recruit people whose working capacity they cannot assess with any certainty, such as foreign-born persons. Research suggests that while strict employment protection does not necessarily lead to low employment in general,

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<sup>38</sup> Skedinger, 2008; Lundborg, 2012.

it may put weak groups in the labour market at a disadvantage, such as young people and foreign-born persons.<sup>39</sup>

There is disagreement on how strict employment protection actually is in Sweden. On the one hand, the Employment Protection Act provides considerable protection against the dismissal of permanent staff unless there is a work shortage, but on the other hand it is fairly easy to hire temporary staff in Sweden or to bring in workers from staffing agencies. In an index of employment protection in all OECD countries and selected non-OECD countries in 2008, Sweden places just below the average, precisely because of the relative freedom enjoyed by Swedish employers wanting to use temporary staff.<sup>40</sup>

It is primarily the youngest people in the labour market who are in temporary employment. On the other hand, relatively few people in the 25–35 age group work on a temporary basis. This would suggest that as a rule temporary employment is a springboard to a permanent position and that the great majority thereby become established in the labour market. A high proportion of temporary employment among young people should not therefore be seen as a structural problem but rather as a sign of a flexible labour market that makes it easier for young people to gain a foothold. However, it is important to monitor the situation in order to determine whether people are becoming stuck in temporary employment for long periods.

#### *Employment in different groups*

Insufficient language skills, fewer contacts and networks, and relatively high thresholds for labour market entry – along with discrimination (see below) – help explain why it takes time for foreign-born persons to become established in the labour market. For those who arrive as refugees, it takes 6–7 years before half the members of this group find employment. After 10 years in the country only an average of 60 per cent of those with refugee status and 65 per cent of family members are gainfully employed. The corresponding figure among labour immigrants is 77 per cent.<sup>41</sup> Employment among women refugees and the family members of people in need of protection is particularly low; of people in this

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<sup>39</sup> Cahuc, 2010.

<sup>40</sup> See the OECD's statistical database.

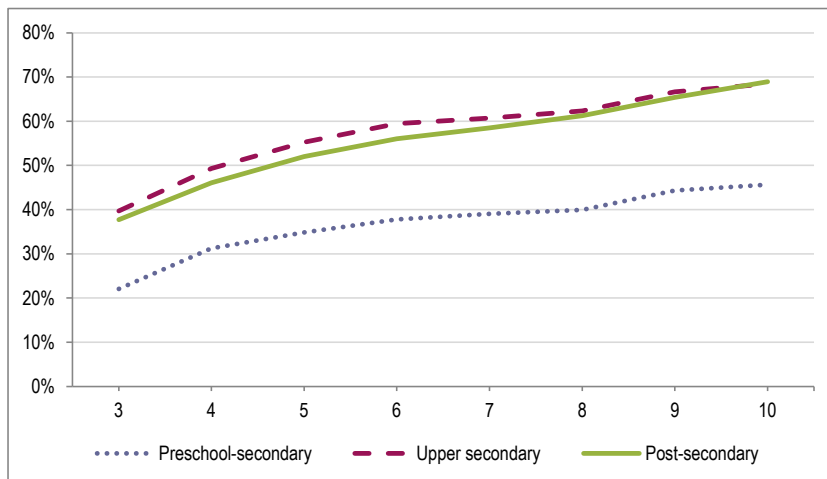
<sup>41</sup> Statistics Sweden, 2009b, p. 111; Eriksson, 2010, p. 264.

group who arrived in 2000, less than half had found work after 10 years.<sup>42</sup> Breaking this pattern is an important challenge in the search for gender equality.

How long different groups have been in Sweden is not the only important factor, however. The labour market situation when they arrive in Sweden is also significant. As the group with the weakest foothold in the labour market, along with young people, immigrants who arrive at a time when the Swedish labour market is experiencing a high rate of unemployment are particularly hard hit, while those who arrive when the employment situation is more favourable, are better placed to establish themselves in the labour market.<sup>43</sup>

Moreover, there are significant disparities between different educational groups, as shown by a detailed analysis of people who came to Sweden in 1997. After 10 years in the country, 46 per cent of those who arrived as refugees and who only had a pre-secondary school education had found work, compared with 68 per cent of those with an upper-secondary education and 69 per cent of those with a post-secondary education (see figure 6.5).<sup>44</sup>

**Figure 6.5** Number of employed in the years after immigration in various educational groups (per cent)



Source: Statistics Sweden, 2012d, pp. 41,124–126. The statistics refer to those who arrive as refugees.

<sup>42</sup> Swedish Government Official Report, SOU 2012:69.

<sup>43</sup> Statistics Sweden, 2009b, p. 32–33.

<sup>44</sup> Statistics Sweden, 2009b; see also Joyce, 2013; Eriksson, 2010; Swedish Government Official Report, SOU 2012:69.

However, the educational disparities do not explain the employment gap between native-born and foreign-born persons. While it is true that a larger proportion of foreign-born persons only have a pre-secondary education (20 per cent) compared with native-born persons (12 per cent), roughly the same proportion (almost 40 per cent) has a post-secondary education, and employment is lower among foreign-born persons in all educational groups.<sup>45</sup> Furthermore, those foreign-born persons who are employed and have a higher education also encounter substantial difficulties in the labour market, as demonstrated by the fact that about 60 per cent of academics born outside Europe have jobs for which they are over-qualified.<sup>46</sup> The familiar picture of high-educated, foreign-born persons working in the restaurant sector or driving taxis is not a myth but a reality for many. Another part of the same picture is that foreign-born entrepreneurs are more likely than native-born entrepreneurs to be high-educated and to be active in sectors with relatively low qualification requirements, which also suggests not only that many foreign-born persons feel obliged to take jobs beneath their actual level of skill but also that the foreign-born group are not being matched to the same extent as native-born persons.<sup>47</sup>

However, a closer examination of the foreign-born group as a whole reveals considerable differences, depending on which countries people come from. While employment among immigrants from former Yugoslavia ten years after their arrival was 70 per cent in 2009, it was 51 per cent among immigrants from Iran, 47 per cent among immigrants from Iraq and just 35 per cent among immigrants from Somalia.<sup>48</sup> Later analyses, too, show that Somalis are the immigrants who have found it most difficult to establish themselves in the labour market. One reason is their low average level of education. Moreover, as the majority of Somalis arrived after 2006, their stay in Sweden has been relatively short, while those who came in the 1990s arrived at a time when the labour market situation as a whole was precarious. It is also true, however, that entrepreneurship among Somalis is considerably lower than among other groups of immigrants, and only about one tenth of the rate among Somalis in for example the US and Canada.

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<sup>45</sup> Eriksson, 2010, p. 262.

<sup>46</sup> Arbetsförmedlingen, 2012; see also Le Grand et al., 2012

<sup>47</sup> Gullberg Brännström, 2012; Segendorf & Teljosuo, 2011.

<sup>48</sup> Statistics Sweden, 2009b, pp. 115–116

This may of course be partly due to the fact that it is more difficult to start a business in Sweden. It may also be due to the language difference, since more people from Somalia speak English than speak Swedish. Whatever the case, this represents a challenge for the future.<sup>49</sup>

While it is clear from the discussion that integration has its failings, it is worth pointing out that almost all foreign-born persons find employment sooner or later. Of all those who came to Sweden as immigrants to work or study, 98 per cent have held a job at some time or other, while the corresponding figure among those who came as refugees or as family members is 90 per cent.<sup>50</sup> The major challenge, therefore, is to shorten the time it takes for people with foreign backgrounds to find employment.

Another related issue concerns the labour market integration of those who were born in Sweden but who have one or two foreign-born parents. This group has grown from 4 to 11 per cent of the population since 1970. Here, the rate of employment has consistently remained below the rate of those with two native-born parents. Overall, however, the difference is only a percentage point or two. Among those with both parents born outside of the EU, i.e. to a large extent the children of parents who have come here as refugees, the situation is however worse; their activity rate is 15–20 percentage points below that of the group with both parents born in Sweden.<sup>51</sup>

Also, this group is growing in size. Many of those with one or two parents born abroad and are now of working age are children of labour immigrants, and have thus grown up in homes where their parents enjoy a comparatively strong position in the labour market. In the future, a growing group will be the children of parents who came to Sweden as refugees or as family members and who have a weaker employment position. The implication here is that labour market integration among children with one or two foreign-born parents will present a greater challenge in the future than it has up to now. There is a clear risk that their children will inherit the high rate of unemployment among foreign-born persons.<sup>52</sup> The longer we fail to meet the current challenges of

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<sup>49</sup> Carlson et al., 2012.

<sup>50</sup> Le Grand et al., 2013, p. 53.

<sup>51</sup> Eriksson, 2010, p. 266; Statistics Sweden, 2010, p. 63.

<sup>52</sup> Swedish Government Official Report, SOU 2012:69.

labour market integration, the greater the future challenges are likely to be.

This discussion of integration in the labour market and the possible factors behind the low rate of employment among foreign-born persons is not of course exhaustive.<sup>53</sup> What it does show is that Sweden is already facing major challenges in terms of the integration of foreign-born persons in the labour market. It also shows that integration works least well in the case of women and in the case of low-educated immigrants who come to Sweden as refugees or as family members of either refugees or people in need of protection. Integration also works less well in the case of children of parents born in non-European countries, i.e. the children of parents who came to Sweden as refugees. For many foreign-born persons who have difficulty finding a job, self-employment is an alternative both for themselves and for other foreign-born persons who are employed by them. However, over-representation of foreign-born persons in this sector cannot compensate for lack of integration in the labour market. The result is a lower rate of employment and a higher rate of unemployment among foreign-born persons than among native-born persons. Integration works best for those who have come to Sweden as labour immigrants. These patterns are important to keep in mind when considering the future challenges of integration in Sweden.

#### *Socially deprived areas*

Down the centuries, and whatever their culture, immigrants arriving in a new country have almost always sought to settle close to their compatriots. Immigrants of the same origin living in the same area can, if the groups are large enough, help newcomers to rapidly acquire a network among compatriots and thus stand a better chance of finding a job. The advantages of living close to one's compatriots, however, will depend on the latter's incomes and contacts. If too many people with low activity rates and significant social problems congregate in a given housing area, there may be a negative neighbourhood effect, with area itself reducing residents' chances of improving their situation.<sup>54</sup>

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<sup>53</sup> For further discussion, see for instance Eriksson, 2010.

<sup>54</sup> Olli Segendorf & Teljosou 2011, p. 75–77

Segregation is most evident in areas with a high concentration of immigrants or a low concentration of native Swedes, mainly found on the outskirts of Sweden's three metropolitan areas and a couple of medium-sized towns. These areas have a high concentration of social problems and have become a symbol of the failed aspects of integration policy in recent decades.

The problems are most prominent in 15 neighbourhoods in nine municipalities.<sup>55</sup> In 2011, a total of 122 000 people lived in these areas. In that year, the percentage of foreign-born persons among the residents ranged between 50 and 90 per cent. Employment is considerably lower in these areas than in the country as a whole, and the percentage of people dependent on income support is significantly higher than the national average.

These areas have acquired their distinctive character as former native-born residents have moved away. Those who have usually taken their place are newly arrived foreign-born persons, many of whom lack employment. Foreign-born persons with a job, on the other hand, choose not to move into these areas, or leave them when they have the chance. The housing areas in question are mainly to be found in strong labour market regions with a plentiful supply of job opportunities. However, since those who succeed in establishing themselves in the labour market usually choose to move away when they have the chance, the problems in these neighbourhoods' persist.

The problem with these areas is not their ethnic composition as such but the fact that the social pattern among the residents, distinguished by low employment, high unemployment and extensive dependence on social benefits, means less opportunity for all. There are studies showing that a high dependence on benefits in a person's vicinity increases the risk that this person, too, will become dependent. Ethnic segregation in housing is largely reflected at compulsory school level, but somewhat less so at upper-secondary level.<sup>56</sup> Studies show that the presence of a high proportion of foreign-born children and children from a weak socioeconomic background has an adverse effect on performance in some schools. Similarly, schools with a high proportion of foreign-born children often include many newly arrived immigrant pupils and pupils with low-educated parents.<sup>57</sup>

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<sup>55</sup> As of 2012, these areas are a focus of the Government's urban development work.

<sup>56</sup> Nordström Skans & Eslund, 2009.

<sup>57</sup> Olli Segendorf & Teljosou, 2011.

## Migration and integration challenges for the future

How well integration in the labour market works depends on a number of things. Much depends on the individual immigrants, on what country and background they come from, on how Sweden and Swedish working life and enterprise work and on how open and welcoming Sweden is.

Thus the kind of challenge Sweden faces in terms of labour market integration will basically be decided by a combination of three factors. *Firstly*, it will be about the numbers who make their way to Sweden and are granted residence permits, where they come from, why they come to Sweden, and what they possess in the way of knowledge and skills. This knowledge and these skills may be either formal or informal, or both, and encompass both formal education and experience-based knowledge; they may also relate to the immigrant's potential to develop the social, cultural and linguistic ability to understand and become a part of Sweden and Swedish working life.

*Secondly*, it will concern the structure of the Swedish labour market and Swedish enterprise and how well they work. This covers things like availability of work and the demand for labour, what type of labour is sought and in which industries, how high the labour market thresholds are and how easy it is to start and operate a business in different industry sectors.

*Thirdly*, it will be a question of how welcoming and open Sweden, the Swedes and Swedish working life are towards people who come from other countries, who have a different ethnic, social and cultural background and who may speak Swedish imperfectly or with a foreign accent. It is also about the extent to which Swedish employers are prepared to open their doors to people whose skills and productivity they may find more difficult to assess.

The greater the level of demand for labour in the future, the more the knowledge and skills that immigrants bring with them match that demand, and the more welcoming and open Sweden and Swedish working life are to immigrants, the easier it will be to meet the integration challenges of the labour market in coming years.



*Future migration*

Forecasting how migration will develop in the future is extremely difficult, since, as previously noted, there are so many factors that are difficult to predict.<sup>58</sup> Increased globalisation and simpler and cheaper means of travel strongly suggest that global migration will continue to grow. So does the fact that economic prosperity is increasing in many developing countries, as this means that more people will have access to the resources required to migrate internationally. How many people will make their way to Sweden and for what reasons is difficult to gauge. Future refugee migration will largely depend on where wars, armed conflicts and persecution occur, while future labour migration will largely depend on economic cycles, on how levels of prosperity differ between countries, and on how many have sufficient resources to migrate internationally. In all cases, it is impossible to know exactly what the future holds, and there is a good chance that forecasts will be overtaken by unexpected events.

Statistics Sweden nevertheless compiles forecasts on the future course of migration. Although these are uncertain in character, a tentative conclusion is that future migration will involve a higher rate of circular migration – whereby people move back to their countries of origin or move several times between countries – and a greater amount of net immigration from non-European countries with medium or low levels of education; it is also anticipated that a greater share of net immigration will comprise people who come to Sweden as refugees or family members. In addition, a larger proportion of immigrants from countries with low development pose a major challenge to the education system. For obvious reasons, children from non-European countries with deficient education systems who arrive in Sweden after term begins tend to perform less well at school than native-born children.<sup>59</sup>

Conversely, labour immigration, particularly from countries outside Europe, will probably decline, although the currently weak economies of southern Europe, where employment is high, could result in greater mobility, especially among young people and the high educated. One important explanation is the demographic trend in countries that many labour immigrants come from,

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<sup>58</sup> See for instance Wadensjö, 2012; Foresight, 2011b; Goldin et al., 2011; Statistics Sweden, 2012a

<sup>59</sup> Statistics Sweden, 2012a, p. 77; Joyce, 2013.

including those outside the EU. Sweden is not alone in facing a demographic trend in which the percentage of older people is on the rise and the proportion of people of working age is in decline. The same situation prevails in many other countries.<sup>60</sup> This leads not only to a decline in the number of potential migrants but also to an increased demand for labour in these countries. This reduces the incentive for people to seek a life elsewhere.

Another important explanation that suggests itself is that competition for migrants – especially labour migrants – may be expected to grow when the proportion of people of working age declines in many countries and as growth economies begin competing more for attractive labour around the world.<sup>61</sup> In 2010, almost 10 per cent of all migrants to OECD countries came from China, but not only are fewer expected to emigrate from China and similar countries in the future, but a growing number are expected to migrate to them.<sup>62</sup>

One conclusion to be drawn from this is that an initial challenge to future integration in the labour market is the likelihood that fewer immigrants than at present will belong to groups able to find employment relatively quickly. A second challenge is the possibility that a growing proportion of immigrants will come from countries with a lower development level and shorter education time. A third challenge concerns Sweden's ability to compete for immigrants, especially for those with particularly attractive knowledge and skills.

#### *Future employment and enterprise in Sweden*

Of decisive importance for labour market integration in the future will be not only who and how many arrive and what their background is but also what Swedish working life and enterprise will look like, i.e. what kind of labour market they will encounter.

An important point to remember when analysing the future employment and enterprise situation is that Sweden is one of the world's most globalised and export-dependent countries.<sup>63</sup> This means that we are greatly dependent on how the global economy

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<sup>60</sup> UN, 2010b; Goldin et al., 2011; NIC, 2012.

<sup>61</sup> Goldin et al., 2011; NIC, 2012.

<sup>62</sup> OECD, 2012c; see also Statistics Sweden, 2012a.

<sup>63</sup> See Chapter 3; Swedish Government Ministry Publication Series, Ds 2009:21; Braunerhjelm et al., 2009; Eklund, 2013.

and competition in the global market develop. It also means that Sweden and Swedish enterprise constantly face very considerable competitive pressure in areas where former successes are no guarantee of future success. This in turn means that a great deal will be expected of Sweden as a country and of Swedish enterprise and employees in terms of development capacity and adaptability. The pressure may be expected to increase as China and other growth economies continue to develop and wield greater relative power in international markets, and as the Swedish, European and US share of global GDP in all probability declines further.

Over the past few decades, tens of thousands of jobs have been lost in Sweden as industries have moved production to countries with lower labour costs and Swedish companies have felt obliged to reduce wage costs and boost efficiency and productivity in order to maintain competitiveness. Initially, work tasks of a simpler nature were outsourced to low-wage countries, but as education systems expanded, labour skills rose, production technology grew and productivity improved in various developing countries and growth economies, these countries began to move up in the world and become increasingly competitive, even in the advanced production sphere. Where countries like China previously competed in the sphere of light industry with low capital intensity, it is now increasingly competing in areas such as high-end electronics and capital-intensive goods. Companies from countries like China are now to be found at the technological forefront to a greater extent and are producing important innovations.<sup>64</sup> As Swedish economist Klas Eklund has noted: “Formerly, it was industrial workers with no university education whose jobs were threatened by low-paid workers in low-cost countries. In the future, workers at any level of pay and expertise may be under threat.”<sup>65</sup>

This development has meant that many jobs requiring little education or special qualifications have disappeared, that a growing number of jobs require an increasing level of knowledge and skill, that the pressure on employees to produce has increased, and that the employment situation of those lacking sufficient knowledge and skill has become increasingly difficult. The fact that the situation has deteriorated for people with low education and relatively low productivity is also due to the high cost of wages in

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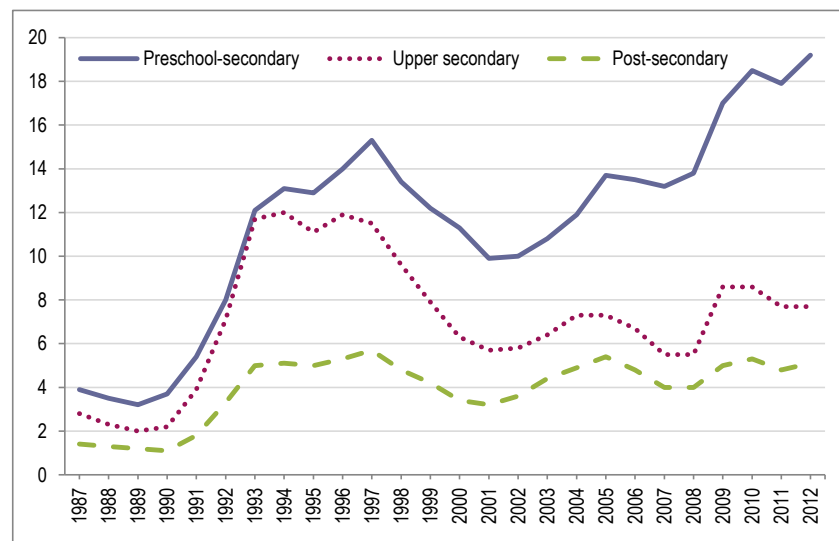
<sup>64</sup> See also Braunerhjelm et al., 2009; Edling, 2010.

<sup>65</sup> Eklund, 2013, p. 127.

Sweden, which has led to greater demands on employee productivity.

This development is reflected not least in the growing importance of education and training. With regard to the proportion of unemployed per educational group, high-educated persons have always had a lower rate of unemployment than those with upper-secondary qualifications or only a pre-secondary education. However, these disparities grow during periods of recession and have increased significantly over time (see Figure 6.7).

**Figure 6.7** Proportion of unemployed in various educational groups 1987–2012 (per cent)



Source: Statistics Sweden, AKU.

Regardless of how international economic cycles develop in the future, global competition is certain to increase and intensify.

One of the challenges that Sweden, Swedish companies and Swedish workers will face as a result is how to develop knowledge and competencies and thereby boost productivity on the part of citizens, employees and themselves respectively. This challenge is a general one and concerns us all. Another challenge is how the labour market – including the laws, rules and taxes associated with it – may be changed so as to enable those with lower educations and

productivity to find the kind of job that they can live on. In all too many cases, the labour market thresholds are far too high, and if the situation does not change there is a risk that large groups may be permanently excluded. A third challenge concerns how Swedish enterprise and working life can be made more dynamic in the future and enhance its competitiveness and adaptability. In part, this is a question of how innovation capacity and entrepreneurship can be developed and strengthened.

At the same time, as noted in the previous chapter, the demographic trend suggests that many older people will be leaving the labour market over the coming decades. It is estimated that the proportion of people at their most productive working age (20–64) will have declined from 58 to 54 per cent by 2030, which means a growing labour deficit.<sup>66</sup> To keep the dependency burden at the same level as today, employment would need to increase by approximately 600 000 people.

The areas where it is estimated that labour demand will exceed supply most are healthcare and social care, followed by the education sector and the service sector. According to Statistics Sweden, demand for people with upper-secondary and post-secondary educations will be particularly strong, while demand for those with only pre-secondary qualifications will decline. At the same time, it is estimated that the proportion of those with post-secondary qualifications will continue to grow. This means that the largest deficit will arise in the case of those with upper-secondary qualifications. The deficit is expected to be particularly large in the case of people with upper-secondary education in the field of social care, but a growing deficit – and a greater demand for labour – is also expected among those with upper-secondary training in the manufacturing, transport and engineering fields.<sup>67</sup>

While forecasts suggest that demand for high-educated staff will remain high and continue to grow, as it also will for upper-secondary trained staff in certain sectors, it is important to keep in mind that there will still be many jobs in what is often termed the low-skilled category and which do not require high educational qualifications. This applies particularly to the service sector, where the demand for labour could become even greater as people increasingly choose to invest their money in services rather than products. Over the past 10–20 years alone, we in Sweden, like

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<sup>66</sup> Statistics Sweden, 2012d.

<sup>67</sup> Statistics Sweden, 2012c.

people in many other countries, have witnessed the emergence of a wide variety of establishments, from cafés and restaurants to beauty parlours and other personal services. As we saw earlier, these are sectors in which entrepreneurs with foreign backgrounds are especially prominent. A particular challenge here, however, is that a growing number of franchise chains are entering the market and outcompeting the small cafés, tobacconists and shops operated specifically by this group of entrepreneurs.<sup>68</sup> As a result, there is a risk that the thresholds for entrepreneurship may be higher in the future.

What all this means in relation to future labour market integration is that the challenges are likely to be different and in some respects greater. In the case of groups that are already finding it difficult to establish themselves in the labour market, in particular low-educated immigrants arriving as refugees, the challenges may well become more demanding in the future.

In the case of immigrants with the equivalent of upper-secondary qualifications, on the other hand, the growing deficit of people in this group presents new opportunities for the future. Given that this deficit applies in particular to those trained for the care services at upper-secondary level, it could mean lower labour market thresholds for immigrant women, whose activity rate is currently below that of immigrant men. Boosting employment among foreign-born women is also one of the most important challenges from a gender equality standpoint.

In the case of immigrants who are either high educated or who otherwise possess important knowledge and skills, Sweden faces at least two challenges in the future. One concerns how successful Sweden will be in the competition for attractive immigrant labour that could help boost the competitiveness of both Sweden and Swedish enterprise. This is expected to become a growing challenge. The other is about how to make better use of the knowledge and skills that immigrants either bring with them or acquire in the course of their stay in Sweden. The fact that some 60 per cent of foreign-born academics in employment have jobs for which they are over-qualified represents a severe waste of resources and human capital. It affects not only those immigrants whose knowledge and skills are not being properly turned to account but also Swedish enterprise and Sweden as a country. Better matching

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<sup>68</sup> Saatchi & Sanandaji, 2013.

of foreign-born persons, therefore, is a task that will become increasingly important as global competition intensifies.

*Future employment and attitudes towards immigrants*

Crucial to labour market integration in the future is the question of how well the knowledge and skills of people with foreign backgrounds match working life and enterprise in the decades to come. Other crucial factors are the extent to which Sweden and Swedish employers are open and welcoming towards people with foreign backgrounds, and the need to ensure that such people are not discriminated against. There are clear indications that discrimination is an important explanation of why employment is lower and unemployment higher among people of foreign backgrounds. Research projects in this area have used various methods to investigate the phenomenon. They have shown for instance that wage growth has been higher among people who have changed their foreign-sounding names to Swedish-sounding names, that more people with foreign backgrounds or foreign-sounding names are summoned to job interviews when the application process is anonymous, and that more are summoned to job interviews if they have Swedish-sounding names than if they have foreign-sounding names.<sup>69</sup>

This research shows that ethnic discrimination exists and is widespread. For example, one leading study found that it is 50 per cent more common for someone with a Swedish name to be summoned to a job interview than for someone with a name that sounds Arabic. Comparing occupations, this form of discrimination was particularly noticeable in connection with interviews for jobs as vehicle drivers, shop salespeople, building workers and restaurant workers, while almost no discrimination whatsoever was noted in the case of computer specialists.<sup>70</sup> Another study shows that both foreign-born persons and those born in Sweden but have foreign backgrounds suffer this type of discrimination to roughly the same extent. In this study, it was almost twice as usual for applicants with Swedish names to be

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<sup>69</sup> Eriksson, 2010; Carlsson, 2011; Segendorf & Teljosuo, 2011.

<sup>70</sup> Carlsson & Rooth, 2007; Carlsson, 2011.

summoned to job interviews compared with applicants born abroad or those who were born in Sweden but had foreign backgrounds.<sup>71</sup>

It is difficult to determine the extent to which current discrimination is due to employers being uncertain about the qualifications of people from foreign backgrounds and how much is traceable to negative or hostile attitudes on the part of employers towards such people. Both types of discrimination exist, but their relative importance is an open question. However, studies show that while the majority are favourably disposed, there is a group of Swedes with a negative attitude towards immigrants (see also Chapter 8). According to the annual *Diversity Barometer*, for instance, some 25 per cent say they prefer to have Swedish colleagues at work. However, the great majority of those who have first-hand experience of working or studying with colleagues with foreign backgrounds describe it in positive terms. At the same time, some 20 per cent have no experience whatsoever of working or studying with people with foreign backgrounds, which in itself suggests a lack of integration in the labour market.<sup>72</sup>

Discrimination due to employers feeling uncertain about the qualifications of foreign-born persons or persons with foreign backgrounds, and discrimination that springs from xenophobic attitudes, are both profoundly troubling and represent a challenge for the future.<sup>73</sup> For the victims, discrimination represents an unwarranted and unfair obstacle to labour market entry, while for companies and organisations that dare not or prefer not to recruit people with foreign backgrounds; it means missing out on a valuable resource. From the standpoint of society as a whole, discrimination increases the risk that people will feel excluded and the likelihood of impaired social cohesion (see Chapter 8).

## Challenges and opportunities

From the beginning of time, people have crossed boundaries of one kind or another. As long as there are wars and persecution, oppression, starvation and material hardship, as long as people dream of a better, freer and more secure life, and as long as people find love in other countries, migration will continue. Migration

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<sup>71</sup> Carlsson, 2010.

<sup>72</sup> Mella & Palm, 2011.

<sup>73</sup> See also Swedish Government Official Report, SOU 2012:74.



also leads to substantial benefits both for the migrants themselves and for their countries of origin and the countries they move to. Just as the free movement of capital, goods and services helps increase prosperity, so does the freer movement of people.

It is also important to ensure that integration works in the best possible way. For migrants themselves, better integration in the labour market means greater freedom and independence and a better financial situation. For Sweden as a recipient country, it means reduced public expenditure, increased revenue and a lower dependency burden. At the same time, it helps reduce exclusion and thereby strengthens social cohesion.

An important challenge, therefore, is to find ways of ensuring more rapid integration in the labour market both now and in the future. The better integration works, the better chance we have of benefiting from the human, economic, social and cultural opportunities that migration brings.

“Establishment, employment, education and housing – that’s where the focus should be when we discuss integration. It’s no more spectacular than that. But if we succeed there, we’ll get the answer to Sweden’s most important question.”

Amanda Björkman, founder of the guest blog site [Sverigesresurser.se](http://Sverigesresurser.se)



7

# The challenges of democracy and gender equality





## 7 The challenges of democracy and gender equality

“I believe the climate will strike back with a vengeance by 2025 unless we do something about it. I won’t be able to change the whole world but I may be able to gain a little influence in Varberg.”

Anton, 18, from the Future Sweden project

### Introduction<sup>1</sup>

Sweden is a country in which democracy has deep historical roots and is widely acclaimed in many respects. Universal and equal suffrage for women and men has existed here for almost a century, and Sweden always ranks among the world’s leading countries in international comparisons of democracy.<sup>2</sup> Our political decisions and our public institutions are open to public scrutiny, information is widely available, and policymakers and officials are more accessible than in most other countries. Election turnout is among the highest in the world.<sup>3</sup> About half the population profess to take an interest in politics,<sup>4</sup> most people affirm they are satisfied with the way democracy works in Sweden,<sup>5</sup> and news consumption is extensive across the country.<sup>6</sup> While political extremism does exist, there are relatively few extreme, violent political environments. However, vigilance will be required to ensure that violent extremism does not threaten democracy in the future.

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<sup>1</sup> This chapter is based, inter alia, on the interim report on the future challenges of democracy prepared as part of the Commission on the Future remit. See Joyce, 2013.

<sup>2</sup> Freedom House, 2012a; The Economist Intelligence Unit, 2011.

<sup>3</sup> <http://www.idea.int/vt/index.cfm>

<sup>4</sup> Weibull et al., 2012.

<sup>5</sup> Oskarson, 2012.

<sup>6</sup> Weibull et al., 2012.

Our fundamental democratic institutions are sound and robust: universal and equal suffrage, political representatives elected in free and fair elections, freedom of expression, freedom of information, freedom of association, freedom of religion and the rule of law<sup>7</sup>.

However, democracy is not simply a matter of formal structures. Nor is it merely a matter of institutions. It is also about values and normative ideals based on the concept of the uniqueness and equal worth of each and every one of us. Thus the Swedish Instrument of Government lays down that public power “shall be exercised with respect for the equal worth of all and for the freedom and dignity of the individual”. If democracy and our democratic institutions are to work, a community spirit distinguished by mutual respect, trust, tolerance and solidarity must also be present and kept alive in everyday life, in politics and in civil society.<sup>8</sup>

The basic democratic institutions are crucial to a properly functioning democracy but they are not enough in themselves. If democracy is to work properly and be sustainable in the long term, citizens and policymakers alike must honour, and live up, to certain standards or norms.

The most important of these is political equality. In the final analysis, democracy rests on the notion that we are all equal and have certain inalienable and equal rights and freedoms.<sup>9</sup> Another important norm is broad and meaningful and equal citizen participation in political processes.<sup>10</sup> If some groups participate to a greater extent than others, representation may be distorted. A third important norm is enlightened understanding, i.e. people having sufficient knowledge and information to take a position on issues of public importance.<sup>11</sup> Here, too, no great differences should exist between groups; if some are much better informed than others, there is a risk that their respective chances of taking part and looking after their interests may be distorted in a way that jeopardises the principle of political equality. A fourth norm of considerable importance is representativeness. Policymakers must properly represent the citizens and their opinions. Here, a distinction is usually made between social representativeness and

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<sup>7</sup> Dahl, 1998; Rothstein et al., 1995.

<sup>8</sup> Swedish Government Official Report, SOU 2000:1.

<sup>9</sup> Dahl, 1998, 2006.

<sup>10</sup> Pateman, 1970; Petersson et al., 1998; Swedish Government Official Report, SOU 2000:1.

<sup>11</sup> Dahl, 1998; Rothstein et al., 1995.

political representativeness.<sup>12</sup> Social representativeness refers to the extent to which policymakers reflect the citizenry in terms of sex, age and social background etc. Political representativeness refers to the extent to which policymakers reflect the citizenry in terms of public opinion. Absolute representativeness is impossible to achieve, but democratic legitimacy is dependent on citizens feeling they are properly represented and not excluded from the political process. Thus it is important that the majority feel democracy is working well and that distrust of politics and politicians is not too widespread.

Swedish democracy is, however, facing a number of future challenges, due to such factors as declining membership of the parliamentary parties, changing media environments and increasingly complex decision-making processes. These developments could lead to greater disparities in citizen participation and knowledge, less political equality, greater difficulty in recruiting public servants, increased political polarisation and a lower degree of representativeness. Taken together, these processes and their possible consequences represent a challenge to the robustness and sustainability of Swedish democracy in the long term.

Sweden and the other Nordic countries attach considerable importance to the principle of gender equality. Both legislation and norms are based on the perception of women and men as equal individuals. This is reflected in Swedish policy approaches such as individual taxation, parental insurance and the expansion of childcare services, the aim of which is to enable both parents to combine working and family life. These are also important reasons why the activity rate among Swedish women is among the highest in the world. Sweden also has a better gender balance than most other countries, both in terms of representation in political assemblies and the extent to which women and men share responsibility for the home and the children.<sup>13</sup>

As discussed in Chapter 2, gender equality in Sweden has grown in recent decades. Since 1970, for instance, the activity rate, disposable income and representation of women in political assemblies has increased, the wage gap between men and women has narrowed, responsibility for the home has levelled out and men are taking increasing responsibility for the children.<sup>14</sup> Despite these

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<sup>12</sup> For an analysis of representativeness, see Pitkin, 1972.

<sup>13</sup> UNDP, 2011.

<sup>14</sup> Joyce, 2013.

advances, however, Sweden has yet to become a country where women and men live and work on equal terms.

Viewed in this perspective, Swedish democracy and gender equality both face a number of challenges. These and their associated issues are the focus of the present chapter.

### The political parties

At the beginning of the 1960s, some 1.3 million Swedes – every fourth voter – belonged to a political party. In Sweden and in most other Western democracies, the parties of the time were frequently mass movements whose members accounted for 10 per cent or more of all voters. Not only did the parties have many members, a majority of voters also identified with one or other of them.

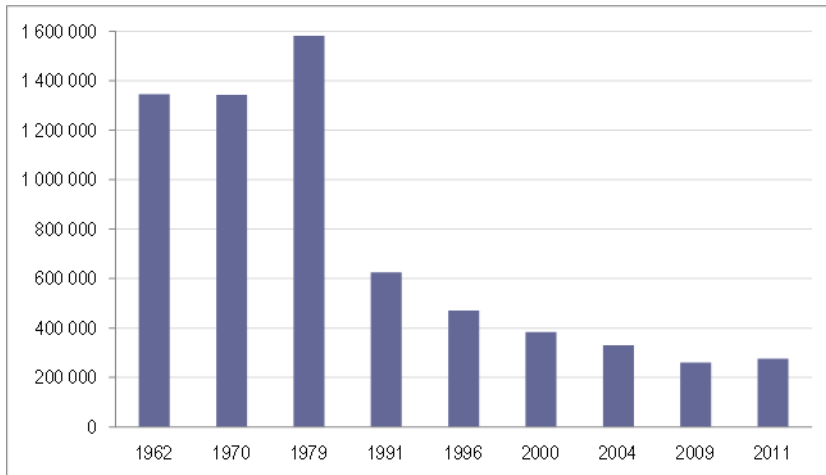
Much has happened since then. The share of voters who identify with a political party in Sweden fell from 65 per cent in 1968 to 28 per cent at the time of the 2010 election. In the same period, the share of deeply convinced party supporters fell from 39 to 17 per cent.<sup>15</sup> The same trend has been noted in other Western countries. The proportion of party members in Sweden has also declined. As late as 1979, approximately 1.6 million Swedes were party members. However, following the abolition in 1991 of the rule whereby members of unions affiliated to the Trade Union Confederation (LO) were required to belong to the Social Democratic Party ('collective affiliation'), some 600 000 members vanished almost overnight. Since then, the decline in the number of party members has continued; at the end of 2011 the parliamentary parties had only 277 000 members between them.<sup>16</sup> (See Figure 7.1)

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<sup>15</sup> Oscarsson & Holmberg, 2011, pp. 31–33.

<sup>16</sup> See Joyce, 2013; Petersson, 2005; Petersson et al., 2000.



**Figure 7.1** Number of Swedish parliamentary party members 1962–2011

Source: Joyce, 2013.

This decline in party membership is not unique to Sweden. It is an international trend, although the number of voters who belong to a party varies from country to country. In Sweden, 3.9 per cent of all voters were party members at the end of 2011, which may be compared with approximately 4.7 per cent of European voters at the end of 2008.<sup>17</sup>

Not only the political parties have lost members, however. Many other voluntary organisations have also done so. Between 1992 and 2000 alone, as competition for people's time and commitment intensified, Swedish associations lost about a million active members.<sup>18</sup> New, individualised forms of political participation and advocacy have emerged and parties have been professionalised. Financial support to political parties has made them less dependent on membership, and the media have become increasingly important as a source of information about issues relating to politics and society.<sup>19</sup> Fewer citizens feel they need parties as arenas for lobbying and personal commitment, and the latter no longer have the same material need of members.

At the same time, parties unquestionably fulfil several important functions in a democratic society. For example, they are expected

<sup>17</sup> Van Biezen et al., 2012.

<sup>18</sup> Ekman, 2012.

<sup>19</sup> Petersson et al., 2000; Petersson, 2005; Dalton & Wattenberg, 2000; Dalton et al., 2011.

to aggregate and articulate the views and interests of citizens, and formulate cohesive political programmes that take an overall view and are in the public interest rather than catering to special interests. Parties are also expected to mobilise people for discussion and participation and to recruit candidates and elected representatives.<sup>20</sup>

Bodies other than parties can perform some of these functions. The media, not least, play an important role in informing and mobilising people for discussion and participation, both directly and as a forum for stakeholder organisations, civil society organisations and opinion makers. As parties have become weaker as member organisations, the media have become more important.<sup>21</sup>

The parties still wield considerable influence, however, with respect to the recruitment and training of candidates for elected office. In Sweden today, there are something like 70 000 political posts occupied by some 43 000 elected officers. Although some parties have made it possible for others besides members to stand for election on their behalf, the great majority of those listed as candidates for political posts are drawn from the parties' own membership ranks. Of the total of 277 000 or so party members, some 80 000 are active, which means that about half of all active party members occupy an elected post of some kind. Increasingly, being a party member means being an elected representative.

This development presents a number of democratic challenges, and these may grow in magnitude. One such challenge concerns the decline in the recruitment base. This trend will probably make it harder for the parties to find enough suitable candidates for appointments in the years ahead, potentially leading to a growing number of vacant posts. It may also mean less scope for testing potential candidates before giving them appointments, which in turn increases the risk of withdrawals or of some people being appointed to posts for which they are not properly suited. A further challenge is that fewer and fewer people will have personal experience of party political work, with all that this implies in terms of the ability to understand the conflicts between different objectives that politicians have to deal with and the difficulties that policymaking involves when the principal aim is to serve the

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<sup>20</sup> Petersson et al., 2000; Dalton et al., 2011.

<sup>21</sup> Asp, 1986; Petersson et al., 2006; Strömbäck, 2008, 2009.

common good. A third challenge is that the decline in party membership risks weakening representativeness. By international standards, the Swedish political elite is unusually open – more so than many other prominent groups in society<sup>22</sup> – and is also recruited from a broader base. This has been of benefit in the ongoing quest for social representativeness and consensus solutions. A continuing decline in the number of party members risks reducing the recruitment base and making it less representative. A fourth challenge is that parties' declining membership could strengthen the influence of special interests in the political arena. A fifth is that parties' weaker position as member organisations helps enhance the importance of the media as a link, but also as a filter, between politicians and citizens. To some extent, however, this development may be offset by the presence of the internet and social media.

### **The changing media environment and its democratic challenges**

The first modern mass media – newspapers – emerged and spread at approximately the same time as the gradual breakthrough of modern democracy in the latter half of the 19th century. This is no accident. In a democracy, the media are an important part of the democratic infrastructure; freedom of expression and freedom of the press are part of the very definition of democracy. While there are non-democratic countries that hold elections, there are no non-democratic countries that sanction full freedom of expression or freedom of the press.

The media's chief democratic functions are to inform, to scrutinise and to provide a forum for discussion. Democracy needs media that provide the kind of information people need to make their way in society and to take a position on public issues, that scrutinise those with power and influence, and that act as arenas for debate and discussion.<sup>23</sup> Democracy also needs media capable of reaching broad sections of society, partly for the sake of social cohesion and partly because information needs to be widely available. In this context, it is important to remember that people are literally dependent on the media for information about most

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<sup>22</sup> Petersson et al., 1996; Göransson, 2007.

<sup>23</sup> Swedish Government Official Report, SOU 1995:37; McQuail, 2003; Strömbäck, 2004.

things outside the scope of their everyday lives. Without media, people would know very little about things like the global environmental challenges, how Swedish education or healthcare works in general, or where the political parties stand on a given issue.

The importance of the media to people's awareness and understanding of politics and other public issues is also illustrated by the evident correlation between how much and which media people expose themselves to and their level of knowledge. Put simply, an interest in politics contributes to increased consumption of news about politics and society, while increased consumption of news about politics and society contributes to increased knowledge and greater political participation. Generally speaking, the relationship between media consumption and knowledge are stronger where newspaper reading rather than consumption of TV news is concerned, although TV news programmes can help reduce the knowledge gap between groups by reaching those who do not otherwise consume as much news as newspaper readers do.<sup>24</sup> In the case of digital media, research indicates that the effects are weaker and that such media increase rather than reduce the knowledge gap between groups.<sup>25</sup>

In understanding how and why people act in particular ways, and the consequences that might follow, three factors are of particular importance: *opportunities*, *motivations* and *abilities*. For example, if people are to consume media or to take part in politics, they must have the *opportunity* to do so. Having the opportunity, however, is not enough if people lack the *motivation* to consult the media or take part in politics. Nor is it enough if people lack the *ability* to consult or understand media or to take part in politics.<sup>26</sup>

It is in this perspective that changes in the media environment generate new challenges for democracy. During the last decades, the number of media and the total amount of media content have virtually exploded, and today people have almost unlimited access to news and information from all over the world.

In many ways, this is a positive development, but it also leads to widening gaps in media consumption. In the first place, the greater the range of available media and the *opportunity* to choose, the

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<sup>24</sup> Delli Carpini & Keeter, 1996; Eveland et al., 2005; Fraile, 2011; Grabe et al., 2009; Nadenau et al., 2008; Prior, 2007; Strömbäck & Shehata, 2010.

<sup>25</sup> Boulianne, 2009; Dimitrova et al., 2011; Wei & Hindman, 2011.

<sup>26</sup> Luskin, 1990; Prior, 2007; Strömbäck et al., 2012; Shehata & Wadbring, 2012.

more selective people have to be when choosing between different media and types of media content. Secondly, the more selective people have to be when making a choice between different media and types of media content, the more important their *motivations* and *abilities* become. Thirdly, the more important people's *motivations* and *abilities* become, the greater the differences in media consumption will become.

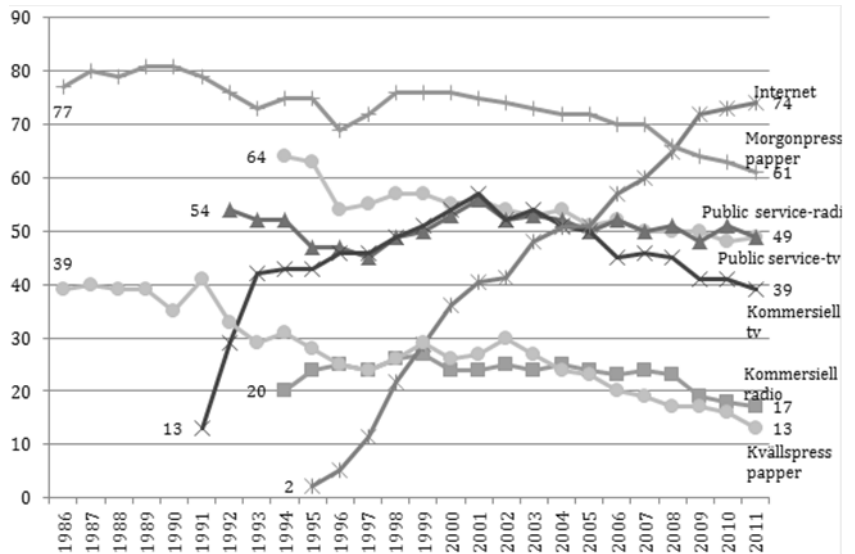
For those interested in politics and society, it has never been as easy as at present to find high-quality information and journalism. For those who are not interested in politics and society, it has at the same time never been as easy as it is today to avoid news and information about politics and society.

Traditionally, news consumption has been extensive in Sweden. It is still high by international standards, but newspaper reading in particular has declined.<sup>27</sup> To some extent, this decline has been offset by the fact that a growing number of people read the morning or evening newspapers on the internet, but there are nonetheless signs that newspaper reading has declined overall. The same applies to the consumption of national news on television. Figure 7.2 shows how the regular use of various media has changed since 1986.

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<sup>27</sup> Elvestad & Blekesaune, 2008; Shehata & Strömbäck, 2011.

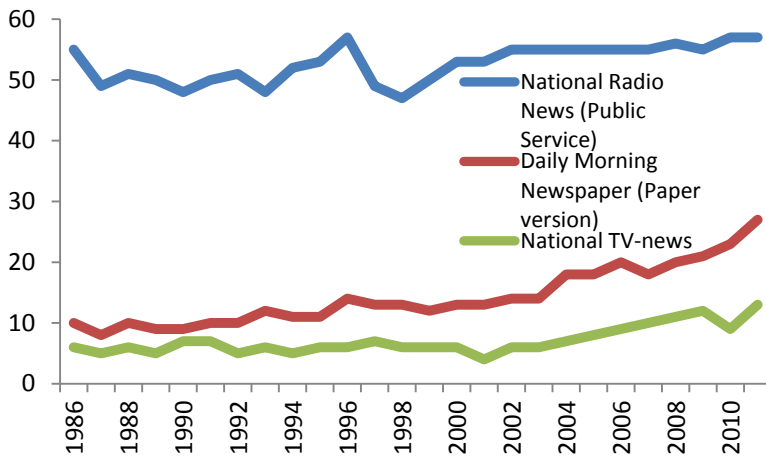
Figure 7.2 Regular use of media 1986–2010



Source: Weibull, Oscarsson & Bergström, 2012. Regular use denotes the use of media at least five (in the case of evening newspapers three) days a week, and in the case of internet use, several times a week.

While the proportion of those who consult news media has declined – except on the internet – the percentage of those who virtually *never* consult news media has risen. Although 5 per cent of the population watched the national news on TV less than once a week in 1986, this share almost tripled to 13 per cent in the period up to 2011. In the same period, the proportion that virtually never read a printed version of a morning newspaper increased from 10 to 27 per cent (Figure 7.3).

Figure 7.3 Proportion of the population not following the news in various media 1986–2011



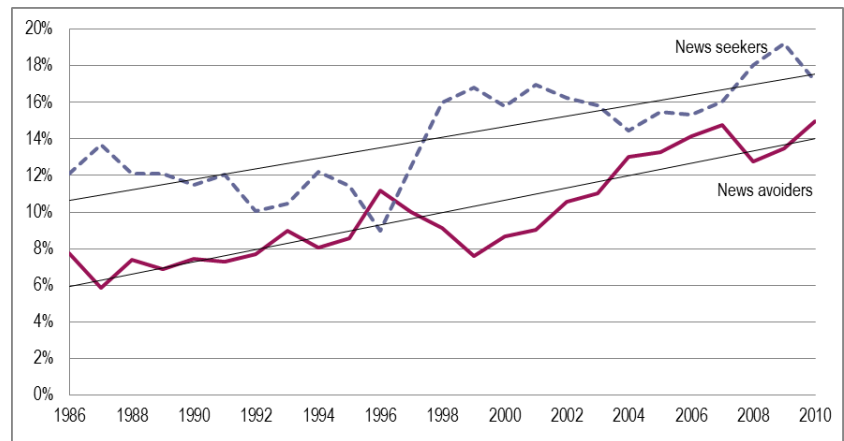
Source: Shehata & Wadbring, 2012. Not following the news here means following it less than one day/week.

At the same time, differences between groups have increased. Two patterns are particularly apparent. First, there is a widening gap between young people and older people. In the mid-1980s, 81 per cent in the oldest age group (65–85 years) and 68 per cent in the youngest age group (15–29 years) read a daily newspaper at least five days a week – a 13-percentage-point difference between the two groups. In 2009, the corresponding figures were 81 per cent for the oldest group and 36 per cent for the youngest – a gap of 45 percentage points.<sup>28</sup> Secondly, political interest has become a more important explanation of the extent to which people follow news media. While those who are politically interested continue or step up their news consumption, those who take less interest in politics are increasingly choosing to ignore news media. Thus the proportion of news seekers – those who consume large amounts of news media – and the percentage of news avoiders – those who hardly follows the news at all – have both increased.<sup>29</sup>

<sup>28</sup> Holmberg & Weibull, 2010, p. 24.

<sup>29</sup> Strömbäck et al., 2012; Shehata & Wadbring, 2012.

**Figure 7.4** Proportion of news seekers and news avoiders respectively 1986–2010



Source: Strömbäck et al., 2012.

Since the wider gap is due to a wider range of available media – which leads to greater selectivity based on people’s motivations – the indications are that the disparity between how much and which media different groups use will continue to grow. Given the correlation between people’s media choices and their level of knowledge and participation, there is a danger that this disparity will lead to even greater knowledge gaps and participation gaps, and to what has been described as a two-thirds democracy.<sup>30</sup>

The trend also suggests that fewer people will choose the same news and news media, which will presumably give rise to greater differences in the way reality is perceived. This applies both to the issues that people consider important and to the way in which people perceive reality. The positive aspect is that the above trend leads to greater diversity. On the negative side, however, it will become increasingly difficult to engage in a meaningful discourse if perceptions of reality and frames of reference differ too widely.

The internet and digital media reinforce such a development. With the advent of the internet, it has become easier for people to communicate and express their views. This has not only broadened the debate, it has also increased the availability of music, films and literature from around the world. In addition, the internet has

<sup>30</sup> See for instance Oskarson, 2013.



made it much easier for people to tailor their sources of information and to find likeminded people, which can help mobilise people's interest and participation. All this is positive, but it has also made it easier for people to isolate themselves from information they dislike and to develop parallel information structures.<sup>31</sup> Among comparable countries, this development is most pronounced in the US, where people are increasingly following media with a given political agenda.<sup>32</sup> Other examples, which are also to be found in Sweden, are the presence of information spread by xenophobic groups or groups embracing conspiracy theories of one kind or another. This risks contributing to a polarisation not only of views but also of perceptions of reality. The growth of the internet and other changes in the media environment has not simply increased the availability of information and given people more opportunity to communicate with one another and to reach out with their message, it has also increased the amount of disinformation and net hatred. Never before has it been so easy to be informed. Never before has it been so easy to become misinformed.

Traditionally, the media have played an important role as the guardians or gatekeepers of public information by checking that what is communicated are correct. Given the new media environment and the growing subculture evident on net forums, websites and blogs, it has become more important than ever to ensure that individual citizens are able to be source critical. This is a democratic challenge.

The changes in the media environment have also brought considerable pressure to bear on traditional media. Many newspapers are struggling for survival, and a number of them are likely to disappear in the future. The remaining media, too, are struggling with steadily declining editorial resources. Ultimately, if fewer media consumers are less interested in qualified journalistic information, this poses a further challenge to democracy. This applies in particular to those who lack the interest or ability to seek out the most relevant and important information of their own accord.

In sum, changes in the media environment have brought considerable benefits, but they has also brought with them a number of challenges both for democracy itself and for the quality

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<sup>31</sup> Swedish Government Official Report, SOU 1995:37; McQuail, 2003; Strömbäck, 2004.

<sup>32</sup> Jamieson & Cappella, 2008; Prior, 2007.

of democracy. One such challenge is the risk of increasing knowledge gaps, another is the risk of increasing participation gaps, and a third is the risk of a greater polarisation of opinions and perceptions of reality. A fourth challenge has to do with the fact that common public arenas are shrinking in both size and number; the significance of niche media is increasing while the number of mass media with a wide reach is declining and fewer people are accessing those media that have the widest reach.

### **Increasingly complex decision-making processes**

A key factor in a representative democracy is the extent to which people are able to demand accountability of those who control the various decisions and decision-making processes. By voting, people choose those they want to represent their views and interests i.e. to represent them. The principle here is that they can decide at the next election whether those they have elected have delivered what they promised and represented them in the best possible way. The popular will is realised when people give politicians a mandate to implement the policies they have committed themselves to, and through their demand for accountability; political representation, meanwhile, is about acting on behalf of citizens and having the legitimacy to take decisions that are binding.<sup>33</sup>

The best way to make this work is to ensure that political power and responsibility go hand in hand, that it is clear who is responsible for what, and that people demand accountability at the right level.<sup>34</sup> The more complex the decision-making structures are, the harder it is for those who possess formal power to ensure that decisions are implemented as intended, the more difficult it becomes to identify who is responsible for what, and the more difficult it becomes to demand accountability of those in power.

Here, the trend in recent decades has been towards increasingly complex decision-making processes – a trend that is expected to continue.<sup>35</sup> There are a number of reasons for this. The most important is that many of the problems and challenges that Sweden faces cut across boundaries – both those between the local, regional and national level and those between Sweden and other parts of the

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<sup>33</sup> Pitkin, 1967.

<sup>34</sup> Petersson et al., 2002.

<sup>35</sup> Swedish Government Official Report, SOU 2000:1; Tallberg et al., 2011; NIC, 2012.

world. Solving the cross-border challenges that Sweden and other parts of the world face with respect to trade, financial crises, trafficking, climate change, international migration etc., will require cooperation and negotiation across borders. Here, the EU and the UN as well as other joint bodies for cooperation will play a highly important part. Today, Sweden belongs to 91 intergovernmental organisations, as compared with 54 in 1960.<sup>36</sup> Similarly, if the current and future challenges that Sweden faces with respect to education, healthcare, integration, demographic change and social cohesion, cooperation will be required between different parts of the public sector, as well as with and between the business sector, civil society and individual actors. In the interest of greater freedom of choice, and to some extent effectiveness as well, certain activities have also been outsourced – although nowadays citizens are increasingly choosing their welfare service providers themselves.

The Swedish Instrument of Government's preamble states that "all public power proceeds from the people" and that popular rule is achieved "through a representative, parliamentary government and local self-government". The Riksdag enacts national laws, but the Government governs mainly through bills submitted to the Riksdag, which the latter adopts or rejects, and by issuing ordinances.

Actual policy implementation, however, is to a great extent the responsibility of the country's 234 government agencies. They are among the bodies whose task is to ensure that parliamentary and government decisions are implemented. An important aspect of Sweden's constitutional tradition is that these agencies enjoy a high degree of autonomy. A further substantial share of the responsibility for policy implementation lies with Sweden's 290 municipalities and 20 county councils and regions. These, too, enjoy a considerable degree of independence in relation to the Riksdag and the Government.

Thus the effectiveness of education, healthcare, infrastructure or other parts of the public sphere is contingent on a wide array of factors. It depends for instance on the decisions taken by the Riksdag in response to government proposals, on how decisions are implemented by agencies at national, regional and local level, on

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<sup>36</sup> Swedish Agency for Public Management, 2000, UIA, 2012.

decisions taken at regional and municipal level, and on the interaction between the various actors involved.

*EU a major influence*

In addition, Swedish policymaking and governance are influenced both directly and indirectly by the EU, which itself possesses highly complex decision-making structures.<sup>37</sup> Opinion is divided on how large a share of Swedish legislation is actually influenced by the EU, but about 30 per cent of new Swedish laws and ordinances make reference to Community law. Furthermore, about 70 per cent of Community law is implemented at municipal or regional level,<sup>38</sup> while according to the Swedish Association of Local Authorities and Regions some 60 per cent of all items of business on municipal council agendas and 50 per cent of those addressed by county councils are influenced by the EU.<sup>39</sup>

The EU's influence, however, varies from area to area. In some, such as the customs union, the common trade policy and the monetary union, it has the sole right of decision. In other areas, the EU and member states share the right of decision, and here member states have the right to legislate if the EU has not already done so. This applies to issues such as the internal market, agriculture, the environment, energy and consumer protection. In still other areas, such as education, housing and income tax, member states have the sole right of decision.

The way in which decisions are reached within the EU also varies. It is the task of the European Commission to propose new laws and monitor compliance by member countries with prevailing rules, although the decisions are taken in different forums. In some cases, they are taken by the Council of Ministers, following consultations between the relevant ministers and, in Sweden's case, the Parliamentary Standing Committee on Foreign Affairs. Usually, however, decisions are taken in the EU via what is known as the regular legislative process, which means that both the Council of Ministers and the European Parliament must approve and adopt the proposals. If the EU issues regulations, these immediately become law in Sweden and other member states, while

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<sup>37</sup> Tallberg et al., 2010.

<sup>38</sup> <http://www.eu-upplysningen.se/Sverige-i-EU/EU-lagar-galler-framfor-svenska-lagar/>

<sup>39</sup> [http://www.skl.se/vi\\_arbetar\\_med/eu/eu\\_paverkar](http://www.skl.se/vi_arbetar_med/eu/eu_paverkar)

EU directives define aims and objectives. It is then up to member states to decide how they want to go about achieving them. Over time, however, power has increasingly shifted towards the European Parliament and the European Council, the latter comprising member countries' heads of state and government, while regulations have increased in number at the expense of directives.<sup>40</sup> Moreover, an important share of decision-making in the EU is preceded by negotiations in one or other of the 250-odd working groups and other bodies that help make up the European Commission's expert and implementing committees.<sup>41</sup>

What this means in practice is that politics is largely a matter of finding ways of cooperating – both formally and informally – in search of solutions to problems. The decision-making processes are often complex, which poses additional challenges to democracy. One such challenge relates to the fact that in an increasingly complex and interdependent society, governance becomes more difficult. Another challenge concerns the fact that it has become less clear who is responsible for what. Yet another is that this lack of clarity has made it more difficult for people to demand accountability, and the concomitant risk of accountability being demanded at the wrong level. Decisions need to be taken at the right level if they are to be regarded as legitimate. In other words, citizens must feel that matters have been decided at the most appropriate level. Deciding whether decisions should be taken at EU level, at national, regional or local level, or whether they should be taken by individuals, families or civil society communities, therefore needs to be discussed more in the future. A fifth challenge is that there may be a risk of popular discontent if people feel that the political process is unable to deliver solutions to problems, especially if they also have difficulty knowing who they can and should hold responsible. This leads to a sixth challenge: an increased risk that populist movements and parties will emerge and seek to exploit people's discontent with deceptively simple solutions that pit groups in the community against one another.

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<sup>40</sup> Tallberg et al., 2010.

<sup>41</sup> Tallberg et al., 2010.

## Growing participation gaps?

Three of the current processes discussed so far concern the weakening of Sweden's political parties, changes in the media environment and increasingly complex decision-making processes. Each of them individually will entail special challenges for democracy in the future, but what is common to them all is that they risk contributing to a wider gap in political participation, not least in terms of voter turnout.<sup>42</sup>

Historically, political parties in Sweden have played an important part in mobilising groups that have less economic, social and political resources at their disposal, particularly low-income earners and the low educated. As the parties lose members and grow weaker as organisations, their recruitment base is narrowed down, which reduces their ability to mobilise precisely those groups that most need mobilising through active measures. The risk is that in the future, active party members will increasingly comprise well-educated and relatively well-paid people from the broader middle classes. This would increase the gap in political participation between well-resourced and poorly resourced groups in society. However, in the case of elected representatives this has yet to happen. While the percentage of high-educated people has increased in this group, the proportion of high-income earners has in fact declined.<sup>43</sup>

As new generations are born and are socialised in a media environment in which it is increasingly up to the individual to actively choose what media and what type of information he or she wishes to be exposed to, there is a growing risk that groups without any interest in politics will choose to avoid news and information about politics and society. There is also a risk that these groups will be the ones with fewer resources in other respects as well, such as low-income earners, the low-educated, young people and people born abroad.

In terms of the most basic form of political participation, voting at elections, Sweden is among the countries with the highest voter turnout, historically speaking. Since the Second World War, an average of 83 per cent of the population has voted in parliamentary elections. At its height, the turnout was 91.8 per cent in 1976. It then declined steadily up until the 2002 election, when it rose once

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<sup>42</sup> See for instance Oskarson, 2013.

<sup>43</sup> Joyce, 2013.

again. At the most recent parliamentary election, in 2010, voter turnout was 84.6 per cent.<sup>44</sup>

Swedish voter turnout has been considerably lower, however, for elections to the European Parliament: at the 2009 election, just 45.5 per cent of the Swedish electorate voted, compared with the European average of 43 per cent.

A high voter turnout is a democratic asset in itself, but also in that it means greater legitimacy and more balanced participation. When the overall turnout declines, it does so primarily among groups that traditionally participate less, and when the overall turnout rises, it does so primarily among groups with a low rate of participation.

Although Swedish voter turnout is high, there are clear differences between groups, and these differences offer important clues as to where the greatest gaps in participation will be in the future.

Turnout is higher among the middle-aged and elderly than among younger people, among native-born persons than among those with foreign backgrounds or the foreign-born, among high educated than among low-educated, among high income earners than among low income earners, among the employed than among the unemployed, and among married and cohabitants than among single householders (see Table 7.1).<sup>45</sup>

In some cases, the differences are very substantial. At the parliamentary election of 2010, for example, voter turnout was 88.9 per cent in the group aged 50–64, while it was 79 per cent in the group aged 18–24. Among native-born persons, 87.3 per cent voted, while the proportion among people with foreign backgrounds was 79.8 per cent and among those born abroad 73.4 per cent. At the municipal elections of 2010, the difference was even greater; at that poll, 84.2 per cent of Swedish citizens voted as against 35.8 per cent of enfranchised foreign citizens.

There are also clear differences between socioeconomic groups. Among voters with university education, 94.3 per cent took part in the parliamentary elections of 2010, while the proportion among those with only a pre-upper-secondary education was 79.2 per cent. Among high-income earners, 94.7 per cent voted, while the

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<sup>44</sup> Statistics Sweden, Election statistics; Joyce, 2013.

<sup>45</sup> Statistics Sweden, Elections statistics; Joyce, 2013; Bennulf & Hedberg, 1999. For international research on voter turnout and what factors affect it, see for instance Franklin, 2004 and Wattenberg, 2002.

turnout among low-income earners was 77.3 per cent.<sup>46</sup> The gap between the employed and the unemployed was about 10 percentage points, with turnout at was 88.3 per cent among the former and 78.9 per cent among the latter.

The most important factor in explaining voter turnout, however, is motivation, i.e. political interest. The difference in participation between those who describe themselves as very interested in politics and those who state that they are not at all interested may be close to 40 per cent, which is greater than the difference between other groups. Commenting on this, Sören Holmberg and Henrik Oscarsson have stated: “The lower probability of voting among low-educated, single, unemployed persons from the working class may (...) be almost totally offset by a higher degree of political involvement”.<sup>47</sup>

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<sup>46</sup> High income earners are defined here as the 20 per cent who earn most, while low income earners refers to the 20 per cent who earn least.

<sup>47</sup> Holmberg & Oscarsson, 2004, pp. 23–24; see also Bennulf & Hedberg, 1999.



**Table 7.1** Voter turnout among various groups, 2002 and 2010

	2010	2002
<i>Age groups, parliamentary elections</i>		
18–24 years	79	69.9
25–29 years	80.4	75.5
30–49 years	85.5	79.9
50–64 years	88.9	86.7
65+ years	83.2	79.3
80+ years	70.5	63.3
<i>Parliamentary elections:</i>		
Native-born	87.3	82.2
Foreign background	79.8	67.9
Foreign-born	73.4	67.5
<i>Municipal elections:</i>		
Swedish citizen	84.2	80.1
Foreign citizens	35.8	34.2
University graduates	94.3	91.7
Pre-secondary education	79.2	75.3
High income earners (top 20 per cent)	94.7	90.4
Low income earners (lowest 20 per cent)	77.3	71.3
Employed	88.3	84
Unemployed	78.9	70.8
Not in labour force (students excepted)	74.7	70.7
Married/Cohabitants	90.2	89.3
Single persons	78.6	74.3
Total	84.6	80.9

Source: Statistics Sweden, Democracy.

To sum up, despite high voter turnout, there are already significant differences between well-resourced and resource-poor groups in society with respect to the most basic form of political

participation. Should turnout decline in the future, these differences would in all probability become even greater while at the same time the importance of political interest would increase. Should the parties grow steadily weaker as member organisations, while resource-poor groups follow news about politics and society to an even lesser extent, there is a risk that elections would lose their attraction as a politically mobilising force.<sup>48</sup> In that case, participation gaps could widen even further.

### *Political participation between elections*

Political participation, however, is not just about voting at elections. In everyday life and in cooperation with others, it is also about seeking to influence the course of events, for instance via politics and public debate at the local, regional or national level. This may involve signing petitions, contacting politicians or officials, taking part in demonstrations, trying to influence the opinions of others, or discussing politics with people encountered in daily life, or via blogs or social media. It may be about using one's power as a consumer for political ends by boycotting products or services or supporting them through intervention buying. Alternatively, it may involve joining local associations, sports clubs or other organisations in civil society.<sup>49</sup> There is a strong tradition of community activity in Sweden,<sup>50</sup> and together with school and family this helps smooth the path for democracy and the continued existence of democratic values. If democracy is to flourish in the future, it is vital that civil society, school and family be equipped to nurture democratic citizens.

When people become actively involved in different ways, participation increases and democracy is vitalised. This is essential if democracy is to be kept alive between elections. Active dialogue between citizens and politicians between elections gives people greater insight into political decisions and improves their understanding of the decision-making process.

Other forms of participation cannot, however, replace participation in elections, and the inequalities found between

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<sup>48</sup> Holmberg, 1994; Strömbäck & Johansson, 2007.

<sup>49</sup> Petersson et al., 1998; Esaiasson & Westholm, 2006; Zukin et al., 2006; Micheletti et al., 2004.

<sup>50</sup> Ekman, 2012; Levay, 2013.

groups at election time tend to be even greater where other forms of participation are concerned. The greater the demands made on people in terms of participation in its various forms, the greater the importance of resources, and the more important people's motivations and political interest becomes. Thus a recurring pattern is that those who participate politically in other forms than voting come from the same groups as those showing the highest electoral turnout.<sup>51</sup>

Whether participation in elections and other forms of political participation will increase or decrease in the future is difficult to foresee. However, whatever happens, differing political participation among different groups and the risk of wider gaps will represent a significant challenge for democracy in the future. Maintaining or raising the level of political interest, especially among groups that are resource-poor in other respects and participate less, will therefore be an important task. Ultimately, it is a matter of ensuring a high degree of political equality, which in turn affects representativeness, but it is also about preventing a situation in which a growing number of groups feel they are outside the formal structures of democracy.

## Threats, violence and extremism

If representative democracy is to work, people must be willing to stand for elected office. Although some people may get the impression that politics is a profession, the great bulk of those who hold elected office of one kind or another are political representatives in their spare time. In Sweden's municipalities, only about 3 per cent are full-time or part-time remunerated, while the corresponding figure in the county council sector is 6 per cent.<sup>52</sup> The great majority of Sweden's elected representatives have normal jobs and spend countless hours of their leisure time representing their voters and their parties. Without them, representative democracy would not work.

Bearing this in mind, the fact that many elected representatives are subjected to harassment, threats or violence of some kind constitutes a serious problem. A recent survey by the National Council for Crime Prevention of all local and county councillors

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<sup>51</sup> Gilljam, 2003; Petersson et al., 1998.

<sup>52</sup> Statistics Sweden, 2012e.

and all members of the Riksdag revealed that one in six had been exposed to such treatment in connection with their duties at some point in 2011, and that a majority had moreover been exposed more than once.<sup>53</sup> Those subjected to the most harassment, threats or acts of violence were the chairs of local councils and the chairs of social welfare committees. The most common type of perpetrator was a man acting alone.

Dealing with this is already a challenge. However it could well become a bigger one in the future. One reason is that it has become easier to find information about and to contact elected representatives via the internet and digital media. Another is net hatred and the fact that it has become easier for people with extreme views to come into contact with others of like mind and to organise. There is a risk that this will enable such groups to mobilise and rouse others to make threats and harass elected representatives in one way or another. The third reason is that changes in the media environment and digital media risk heightening political polarisation, which in itself fosters an ‘us and them’ mindset and increases the danger that certain people will take matters a step further and expose elected representatives to threats, harassment or violence.

The above survey shows that few have quit their posts because of such extreme activity, but it also shows that an increasing number make a point of avoiding specific issues that they know or believe will increase the risk of being exposed to this kind of treatment. If such a practice becomes more widespread, and if more choose not to accept elected office or to quit because the risk of exposure to threats, violence or harassment is felt to be too great, this would represent a serious future challenge for democracy.

Violent extremism is a special challenge. While all forms of political violence are anti-democratic, a democratic society can never protect itself fully from the threat of violent extremism, and there is always a risk that individuals or groups may be tempted to use violence to change society or to defend something that they feel is under threat.

A survey of extreme and violent political environments undertaken by the National Council for Crime Prevention and the Swedish Security Service in 2009 listed the three environments

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<sup>53</sup> Swedish National Council for Crime Prevention, 2012.

currently found in Sweden. These are right wing extremist and left wing autonomous environments – each thought to encompass less than a thousand people – and the violent Islamist environment, which is thought to involve some 200 people who either take part in violent activities or support them.<sup>54</sup>

These groups are so small that at present they do not pose a threat to democracy as a form of government, but they can cause considerable damage and destruction nonetheless. An increase in exclusion among young men in particular would pose a major challenge, since it is among this group that most of the recruiting by violent extremists occurs.<sup>55</sup> Given such a scenario, one of the most important challenges for the future is to reduce exclusion, facilitate social mobility and make sure that social cohesion is strong (see Chapter 8). In addition, vigilance and active pro-democracy efforts will be required to prevent violent extremism from becoming a threat to democracy in the future.

## Corruption

Globally, corruption represents one of the foremost obstacles to the development of democracy and public institutions, as well as to the enhancement of economic prosperity and human wellbeing.<sup>56</sup> Corruption undermines both trust and the ability of institutions to function fairly and impartially, while at the same time reducing social cohesion. At the global level, the fight against corruption is therefore one of the most important challenges with respect to strengthening democracy and boosting prosperity.

International rankings place Sweden among the countries with the lowest level of corruption. In Transparency International's Corruption Perceptions Index for 2011, Sweden is placed fourth highest of 183 countries after New Zealand, Denmark and Finland. Sweden also scores well in other indexes of perceived corruption in various countries.<sup>57</sup> Our low level of corruption is an important national asset.

The fact that corruption is so low in Sweden, however, does not mean that it is non-existent, and there is a risk that it will become a

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<sup>54</sup> Swedish National Council for Crime Prevention, 2009; Swedish Security Service, 2010.

<sup>55</sup> See for instance Rothstein, 2013.

<sup>56</sup> Rothstein, 2011.

<sup>57</sup> Joyce, 2013.

greater problem in the future. An important reason for this is that the areas of contact between public activity and private enterprise have increased in number. At the same time, public procurement is a risk zone where bribery and other forms of unlawful influence are sometimes found. Today, the public sector buys goods and services from the private sector for between SEK 500 and 600 billion every year.<sup>58</sup> Although this naturally benefits the economy, the large sums involved represent a risk in that there are people who will seek to use bribery and unlawful influence to gain advantages. Meanwhile, auditing at municipal and county council level has been criticised for not being sufficiently independent *vis-à-vis* local decision-makers.<sup>59</sup> This combination suggests there will be an increased risk of corruption in the future. In recent years, on the other hand, the free choice system whereby individuals are able to choose among a number of approved providers has increasingly replaced large procurements and contracts. This suggests that the opposite may be the case.

The Swedish system for combating corruption is based first and foremost on openness and transparency. The principle of public access gives the citizens access to official documents, and the rules concerning freedom of communication help employees to reveal irregularities with no risk to their position. Here, the media have a vitally important role to play as watchdogs or scrutinisers of the way power is exercised. According to one international study, about a quarter of all corruption in an organisation is uncovered as a result of someone in it – a whistleblower – raising the alarm.<sup>60</sup>

## A thriving democracy?

In recent decades, it has frequently been stated that democracy has triumphed across the world; in the early 1990s, Francis Fukuyama went so far as to proclaim the end of history, arguing that democracy and the market economy had overcome all other systems once and for all.<sup>61</sup> A degree of support for this may be found in the reports from Freedom House, according to which the number of ‘free countries’ in the world increased from 44 to 90

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<sup>58</sup> Upphandlingsutredningen.se; website of the Procurement Inquiry.

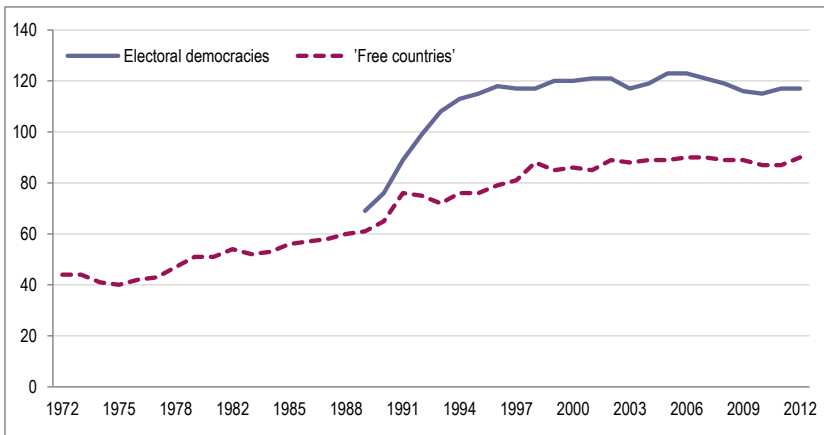
<sup>59</sup> Swedish Agency for Public Management, 2012; Erlingsson et al., 2012.

<sup>60</sup> Swedish Agency for Public Management, 2012.

<sup>61</sup> Fukuyama, 1992.

between 1972 and 2012, while the number of countries organising general elections increased from 69 to 170 between 1989 and 2012.

Figure 7.5 Number of electoral democracies and free countries



Source: Freedom House (Electoral Democracies and Freedom in the World).

That the number of countries holding general elections far exceeds those that are completely free shows that elections are not enough in themselves for a country to be regarded as a fully realised democracy. It also shows that non-democratic countries are trying to establish legitimacy by calling and then manipulating elections in one way or another.

Furthermore, support for democracy as a concept is very strong worldwide. An example of this can be found in the World Values Survey, in which one of the questions concerns the extent to which people feel that democracy is a very good, fairly good, fairly poor or very poor way of governing their own country. In the latest survey, 91 per cent of the global respondents felt that democracy was a very good or fairly good system. In Sweden, 98 per cent gave such a response, but even in non-democratic and semi-democratic countries such as China (94 per cent), Russia (80 per cent) and Iran (92 per cent), substantial majorities felt that democracy was a good system.

While there is much to suggest that democracy is gaining ground, it is unclear how deeply rooted support for it is and how closely people understand what democracy actually involves. The same World Values Survey namely shows that as many as 38 per

cent worldwide also feel that it would be very good or fairly good to have a system with a “strong leader who does not have to bother with parliament or general elections”, despite the fact that this runs counter to democracy. Even in a country like Sweden, 18 per cent replied that it would be very good or fairly good to have such a system. In countries such as Bulgaria, Brazil, Romania and India, over 60 per cent liked the idea of a strong leader who need not bother about parliament or general elections.

This shows that the support expressed for democracy does not necessarily represent an expression of any deeper, basic conviction. Research also shows that there is only a weak link between how free a country is and how strong support for democracy is in that country. There is, however, a strong link between how free a country is and the degree of tolerance found there.<sup>62</sup>

To this should be added the geopolitical changes that have and are still taking place. During the decades of the Cold War, Western democracy was pitted against different kinds of communist and right wing authoritarian systems. Support for democracy in those days involved both rejecting dictatorship in whatever form it took and arguing that democracies are more successful in delivering economic development and prosperity. Such support was based not only on assessments of democracy as such, but also on comparisons between democracies and dictatorships where democracy seemed the better system.

Today, we are living in a time in which democracies around the world are struggling with the question of how to deal with issues such as structural changes, financial crises and deficits, and growing unemployment. Countries from Greece and Spain to the US and the UK have been shaken by protests in endless succession. Meanwhile, economic imbalances and social exclusion have grown in many countries. The danger is that this will lead to greater distrust both of politicians and political institutions and of democracy itself, as well as to a rise in the number and extent of conflicts both within and between countries.<sup>63</sup> At the same time, both the EU and the US shares of global GDP have declined in recent decades, while China has emerged as an increasingly important economic and political power in the world.

There is a risk that global support for democracy may decline if a growing number of people feel that other political systems are

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<sup>62</sup> Inglehart, 2003.

<sup>63</sup> See the “Gini-Out-of-the-Bottle” scenario, NIC, 2012.



better at delivering economic growth and prosperity and if the democratic United States is replaced by the authoritarian China as the foremost economic power. The more people find that democratic countries are unable to deal with the problems they consider important, both as problems in themselves and by comparison with non-democratic countries, the greater the risk that support for democracy will weaken. This applies in particular to groups on the margins of society and which see themselves as losers. There is also a risk that such a development may lead to increased tension within countries, especially if protest or populist parties emerge that seek to exploit people's discontent and powerlessness by means of deceptively simple solutions. We have already seen signs of this in the emergence and progress of right-wing nationalist and xenophobic parties and groups in various parts of Europe. In some countries, there are also worrying signs of a decline in respect for key democratic freedoms and rights such as press freedoms and freedom of expression.<sup>64</sup>

At present, there is no need for alarm as far as Sweden is concerned, but there are grounds for vigilance in the future. Today, democracy seems to be firmly rooted and thriving, both in Sweden and in other established democracies. But democracy, too, faces important challenges for the future in terms of things like political equality, political participation, the understanding of politics and society, and the degree of representativeness. These and other challenges must be met if democracy is to be secured for new generations and be made more sustainable in the years to come.

## Equality of the sexes

Sweden and the other Nordic countries attach considerable importance to the principle of gender equality. Both legislation and norms are based on the concept of women and men as equal individuals. This is reflected in Swedish policy approaches such as individual taxation, parental insurance and the expansion of childcare services, the aim of which is to enable both parents to combine working life and family life more easily. These are also important reasons why the activity rate among women in Sweden is among the highest in the world. In addition, Sweden has a better

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<sup>64</sup> <http://www.freedomhouse.org/report/countries-crossroads/countries-crossroads-2012>;  
<http://en.rsfs.org/press-freedom-index-2011-2012,1043.html>

gender balance than most other countries, both in terms of representation in political assemblies and of the extent to which women and men share responsibility for the home and the children. According to the UNDP Gender Equality Index, Sweden has the best gender balance in the world.<sup>65</sup>

As discussed in Chapter 2, gender equality in Sweden has grown in recent decades. Since 1970, women's activity rates, disposable income and representation in political assemblies have all increased, the wage gap between men and women has narrowed, responsibility for household work is more evenly distributed, and men are taking increasing responsibility for the children.<sup>66</sup>

Despite these advances, however, Sweden is still not a country in which women and men live and work on the same terms.

### *Large pay differentials between women and men*

Major pay disparities between women and men remain. If all income is recalculated as full-time monthly pay, women had 86 per cent of men's pay in 2011. This 'unweighted pay differential' has narrowed by just over 2 per cent since 2005. However, given that women work part-time to a greater extent, this differential means that women's lifetime pay and pensions are considerably lower than men's.

There are two main reasons for the pay differentials: men and women work in different occupations, and male-dominated occupations pay more than female-dominated occupations even where workers have the same qualifications. After what is termed standard weighting of pay, which takes account of differences in occupation, position, sector, education, age and working life experience between women and men in the labour market, women's share of men's pay rose to 94 per cent in 2011. This weighted pay differential has narrowed by just under 1 per cent since 2005. The remaining difference after standard weighting is an unexplained wage gap. The gender pay gap widened during the 1990s but has narrowed in the present century. Compared with the early 1990s, however, the decrease has only been marginal. One reason for this is thought to be an increased difference in pay in the

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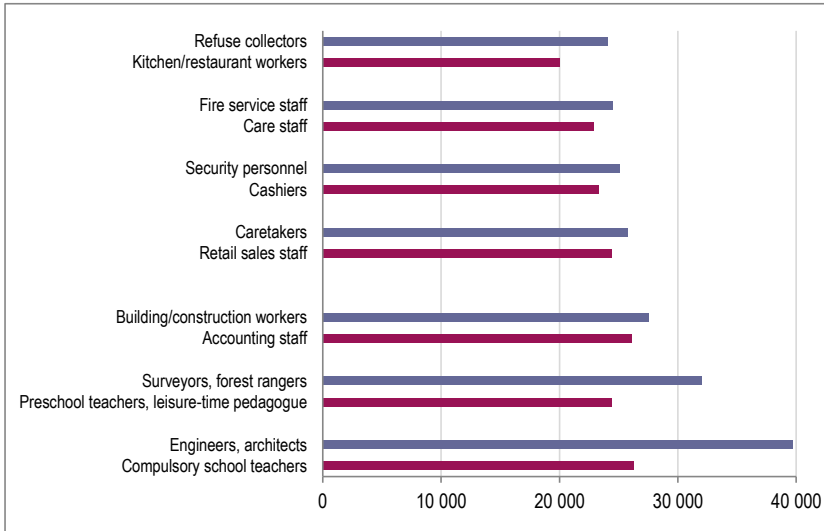
<sup>65</sup> UNDP, 2011.

<sup>66</sup> Joyce, 2013.

1990s between women and men among the 10 per cent highest paid.<sup>67</sup>

Figure 7.6 shows the average wage in 2011 in a number of male- and female-dominated occupations with the same qualification level. It shows that average pay in the male-dominated occupations was higher.

**Figure 7.6 Average pay in female- and male-dominated occupations 2011 (SEK per month)**



Source: Statistics Sweden, Occupational Register.

The proportion of female executives and of well-educated women in qualified occupations is on the rise, but there are relatively few women in top posts, especially in the private sector where salaries are highest.

If lifetime income inequality between men and women is to even out, women will need to continue applying for more senior posts in the more well-paid occupations. However, some occupations requiring longer training will also need to be revalued in pay terms, along with occupations in which women are currently the principal workers.

<sup>67</sup> Joyce 2013, p. 36 och p. 39.

*Family formation a hindrance to women's incomes*

The greatest differences between women's and men's pay arise in conjunction with family formation. Swedish men's and women's wages and disposable incomes increase at the same rate up to the age of 25–30, when the first child is usually born. Men's wages and incomes then increase more than those of women up until the age of 50 or so. From the age of 60 onwards, the gap narrows, although a clear difference persists in retirement since men's higher pay means they receive larger pensions.<sup>68</sup>

The Swedish labour market offers men and women a greater opportunity to combine gainful employment and family life. One of the reasons why women in Sweden – and in the other Nordic countries – remain in working life during their childbearing years as well is the good supply of part-time jobs, not least in the public sector. But part-time work, which is voluntary and attractive when children are small, may become both involuntary and a poverty trap for women as the children grow older. Finding ways of making full-time jobs available to all who want them, without impacting negatively on the way employers organise their operations, is one means of strengthening gender equality in the labour market.

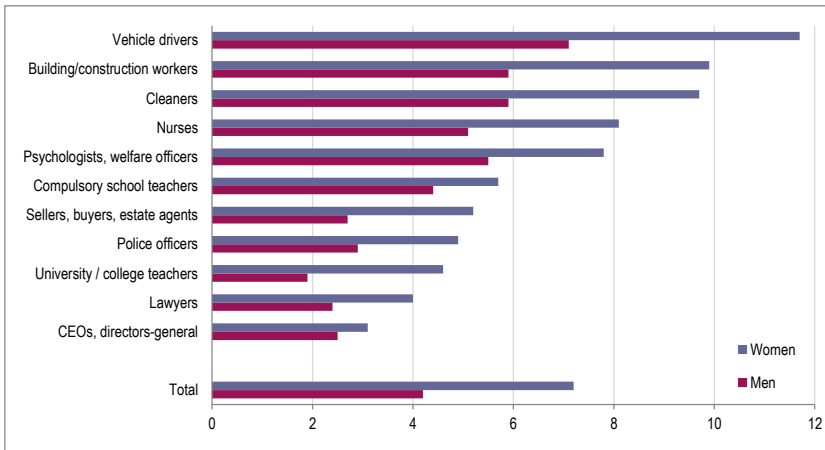
*Women have a higher rate of sickness absence*

The increase in women's employment has gone hand in hand with an increase in their incapacity rate and their rate of sickness absence. Since the early 1980s, the latter rate has been more pronounced among women than among men and the difference has been reflected in a trend increase. The same phenomenon is to be found in other northern European countries where employment among women has increased over the past 30 years. Figure 7.7 shows that women have higher rates of sickness absence in all major occupational groups.

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<sup>68</sup> Swedish Government, 2012, pp. 21 and 24.

**Figure 7.7** Average number of paid days of sickness absence for women and men in selected occupations 2010



Source: Swedish Social Insurance Agency, 2012.

The historical increase in women’s sickness absence cannot be explained by increased gender differences in terms of self-perceived health or a less healthy working environment. On the other hand, there are strong indications that the family situation affects women’s susceptibility to ill health and sick leave more than that of men. There is a clear link between the presence of children and a high level of sickness absence among women.<sup>69</sup>

During the present century, total sickness absence has declined considerably. The decrease has been greatest among women. Ensuring that women have the same opportunity to work for a living as men, without this adversely affecting their health, is a major challenge for the future in the quest for a better gender balance in working life.

*Women are more seldom self-employed*

Sweden has a shortage of entrepreneurs. Encouraging enterprise among both women and men and establishing conditions in which new companies can start and grow is an important challenge for the future. An unusually small share of gainfully employed women

<sup>69</sup> Angelov et al., 2011.

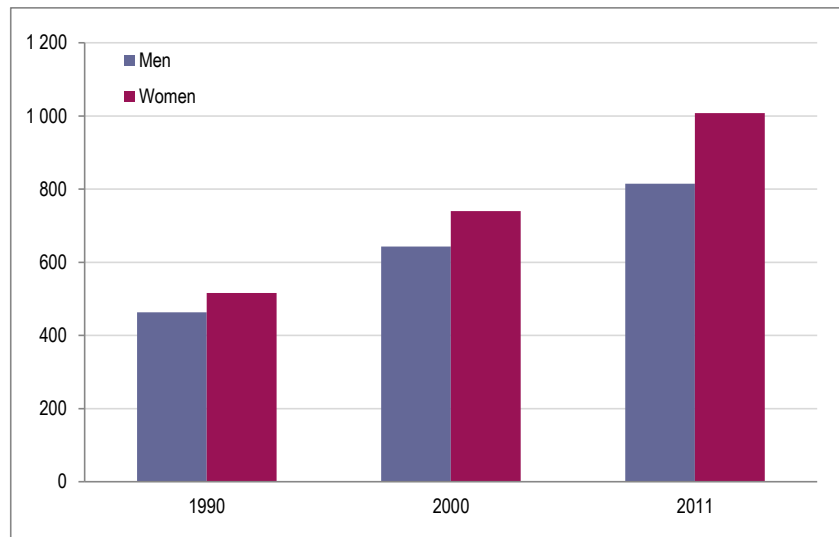
operates their own businesses. In 2011, 15 per cent of employed men were self-employed but only 6 per cent of employed women.<sup>70</sup>

Owning and running a business gives people control of their own lives and a say in the community. Women start a comparatively large number of companies in Sweden, but too few of them survive or grow. Finding ways of helping more women entrepreneurs to keep their companies running and expanding is an important task, both for boosting the economy and for strengthening women's financial self-sufficiency and influence in the business community.

### *The gender education gap*

As early as the mid-1980s, women in the working population overtook men in terms of educational qualifications.<sup>71</sup> By 2030, an estimated 54 per cent of women and 39 per cent of men will have a post-secondary education.

**Figure 7.8** Number of university graduates in the population, aged 25–64 (thousands)



Source: Statistics Sweden, Education Register.

<sup>70</sup> Statistics Sweden, Labour Force Survey.

<sup>71</sup> For a discussion of the gender education gap, see Löfström, 2012.

Boys have long performed less well at compulsory school than girls, and considerably more boys than girls drop out of upper-secondary school. The situation is particularly worrying in the case of boys with foreign backgrounds.

The reasons for this are unclear, but there is some evidence that the more independent approach to learning may have suited girls better than boys. There is a risk that the problems encountered by some boys and young men at school could create a growing group of men who are doubly excluded from society.<sup>72</sup> Meanwhile, research shows that when people form a couple, the general pattern is that women tend to choose a partner who is in a better social position than she herself while men tend to do the opposite. Men, who do not succeed in their education or in the labour market, run a substantial risk of not finding a partner. Bo Rothstein has called these men “the thrice rejected”.<sup>73</sup>

Finding effective ways of improving school performance and reducing the upper-secondary dropout rate among those young people – mainly boys – who are least proficient, is therefore an important challenge for the future.

“To put further emphasis on democracy in our city, we should make use of people’s different backgrounds and perhaps do something cultural based on this. I also want the city to put more emphasis on fair trade.”

Kelly C, from the Future Sweden project.

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<sup>72</sup> Joyce 2013; Rothstein, 2013.

<sup>73</sup> Rothstein, 2013.





# 8

## The challenges of social cohesion





## 8 The challenges of social cohesion

“There’s something wonderful about working together regardless of which country or background you come from, without any actual profit motive, and doing things that help others. You do it because in the end you know this creates a climate that will ultimately be in your own interest. Do good and you will get something good.”

Marcus Nygren, 21, blogger in the Future Sweden Relay

### Introduction<sup>1</sup>

Social cohesion is important both for its own sake and because it enables people to feel involved and improves their quality of life and sense of wellbeing. It is also valuable in that it binds together people who would not otherwise have any contact, in that it fosters a general willingness to pay taxes and to comply with laws, and in that it enables people to work together towards common goals and feel that they are part of something greater than themselves.

Without social cohesion, the risk of corruption, tax evasion, benefit cheating and inter-group conflict would increase, along with personal insecurity; and the state, the business sector and individuals alike would have to invest greater resources in control, surveillance and protection. It would also weaken public institutions and society’s social, political and cultural sustainability.

Yet we are all different, with different backgrounds, levels of education, occupations, interests and personal qualities. So what holds a society together despite all the differences, despite the fact that we will never meet all the other people who live in Sweden, and despite the fact that that most of those we meet are unknown

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<sup>1</sup> This chapter is based, inter alia, on the interim report on the future challenges of social cohesion prepared as part of the Commission on the Future remit. See Levay, 2013.

to us? Why are we not afraid to venture into the streets and surround ourselves with strangers, and what makes us willing to pay taxes that are used for things that directly benefit others rather than ourselves?

There are a number of answers to these questions, but perhaps the foremost contributory factor in maintaining social cohesion at national level is the feeling and perception that despite all our differences we belong to one and the same community.<sup>2</sup> In this sense, social cohesion is based on the idea of an 'us', which is inclusive and more important than any divisions into 'us' and 'them'. Both objective conditions and subjective perceptions are of crucial importance in this context.

While to a great extent social cohesion is based on the idea of a national community, Sweden has, like other countries, been transformed in recent decades as a result of developments such as globalisation, individualisation and greater diversity. The countries of the world have become increasingly interdependent and the borders of nation states have grown more porous. Meanwhile, individualisation and the increasing diversity of everything from people's origins to the range of goods, services and lifestyles on offer have resulted in greater heterogeneity within countries. In addition, major technological advances have changed the way we communicate with one another. Rather than being self-evident, identity has increasingly become something you shape yourself, often in small groups or communities. Nation states have become less sovereign and more heterogeneous.<sup>3</sup>

This development has made for greater prosperity, diversity and individual freedom, but it has also prompted fears that social cohesion at national level may be in the process of being undermined.

While such misgivings are not new – all social transformation brings fresh questions about what holds society together – they are nevertheless important. Internationally, a number of governments and policy organisations have also undertaken studies of social cohesion and attempts to strengthen it.<sup>4</sup> Present and future challenges to social cohesion have become an increasingly burning issue.

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<sup>2</sup> Anderson, 1992.

<sup>3</sup> See for instance Castells, 1998, 2000b; Giddens, 2003; Held & McGrew, 2003.

<sup>4</sup> See for instance Commission on Integration and Cohesion, 2007; Denham, 2001; Ritzen et al., 2000; Colletta et al., 2001.

These misgivings have been reinforced by the human tendency to divide people into ‘us and them’, to overestimate both the similarities between those categorised as ‘us’ and the differences *vis-à-vis* those categorised as ‘them’, and to seek out those we perceive to be like ourselves in one way or another.<sup>5</sup> Nor have such fears been allayed by the fact that many of the symbols, institutions and experiences that help establish common frames of reference for people from different segments of society have either changed character or grown weaker.<sup>6</sup>

As long as the perceived community is stronger and more inclusive than the perceived differences between groups, these processes will not necessarily affect social cohesion adversely, but this cannot be taken for granted. Fears that greater differences between groups may reduce social cohesion need to be taken seriously. Ultimately, it is a question of society’s social and in a broader sense political, value-based and cultural sustainability.

### Elusive social cohesion

While most agree that social cohesion in general is important, it is not always clear what is meant by the term. There is also an inherent tension in a democratic society, between its need of cohesion on a voluntary basis and its need and acknowledgement of pluralism and individual freedom.<sup>7</sup> If social cohesion is too weak, society may collapse; if cohesion is too strong, citizens may find it stifling.

Scholars have adopted slightly differing perspectives on social cohesion.<sup>8</sup> While some emphasise the presence of economic, social and cultural divides in society,<sup>9</sup> others emphasise the importance of social capital and how relations, networks and active involvement in civil society help bind people together.<sup>10</sup> Most agree, however, that social cohesion is about both objective conditions and subjective experiences and perceptions. Objective conditions are significant both in themselves and because they affect how people

<sup>5</sup> McPherson, Smith-Lovin & Cook, 2001; Gaertner et al., 1993; Yzerbyt et al., 2003; Miller & Maner, 2010. For a topical discussion, see also Johansson Heinö, 2012; Swedish Government Official Report, SOU 2012:74.

<sup>6</sup> Levay, 2013; Ehn et al., 1993.

<sup>7</sup> Berggren & Trägårdh, 2006.

<sup>8</sup> For a closer discussion, see Levay, 2013; Jenson, 2002.

<sup>9</sup> See for instance Easterley et al., 2006

<sup>10</sup> Putnam, 1993, 2000.

experience society and one another. Subjective experiences and perceptions are also significant, however, since people may react in different ways to differences between groups.<sup>11</sup> Furthermore, taking both objective conditions and subjective experiences and perceptions into account makes it easier to analyse whether, and if so to what extent, differences between groups affect the way people relate to one another and to society.<sup>12</sup> Greater differences between groups may in some cases lead to less social cohesion; alternatively it may be that greater differences result in weaker cohesion in certain societies but not in others, or that certain differences but not others result in less cohesion.

In such a perspective, social cohesion should be understood rather as the cement that holds society together and promotes a sense of community, and which, in turn, is affected by the way in which society is constructed and operates. This is in line with a definition currently emerging in international research, namely that social cohesion represents a state or condition whereby society and its citizens are bound together by specific attitudes, forms of behaviour, norms and institutions based on consensus as opposed to compulsion.<sup>13</sup> A society characterised by social cohesion is one in which people experience a community spirit and trust one another, where the perceived gaps and conflicts between groups are few, where tolerance of dissimilarities is widespread, and where there is a strong sense of belonging, of shared identity and of sharing a common destiny.<sup>14</sup> It is a society with a pervasive “feel for the common good”.<sup>15</sup> In this context, both objective conditions and subjective experiences and perceptions are important.

### **Social cohesion in present-day Sweden**

So how strong is social cohesion in Sweden today? Is it already under threat? Although there are misgivings in this context, an analysis of the available literature shows that social cohesion in Sweden is generally strong while leaving considerable scope for individual freedom and pluralism in certain areas. It also shows that

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<sup>11</sup> For discussions on this, see Jacobsson, 2010a.

<sup>12</sup> See further discussion in Green & Janmaat, 2011, pp. 2–4.

<sup>13</sup> Green & Janmaat, 2011, p. 18; Green et al., 2011, p. R6.

<sup>14</sup> Levay, 2013; Green et al., 2011a, 2011b; Jacobsson & Sandstedt, 2010.

<sup>15</sup> Jacobsson, 2010a, 2010b.

Sweden is among those countries with the highest level of cohesion.<sup>16</sup>

An expression of this is its strong, vigorous civil society. Almost 80 per cent of all adult Swedes belong to at least one club or association, and about half of the adult population undertake voluntary work in a non-profit organisation of one kind or another. The voluntary bodies that attract most members include union organisations, business organisations, sports clubs, recreational associations and housing associations. The largest organisation of all is the Church of Sweden. Although the proportion of those who belong to at least one association has declined over the past ten years, while there are also signs of growing professionalisation in certain civil society organisations, by international standards Sweden is still distinguished by a high level of engagement and participation within civil society.<sup>17</sup>

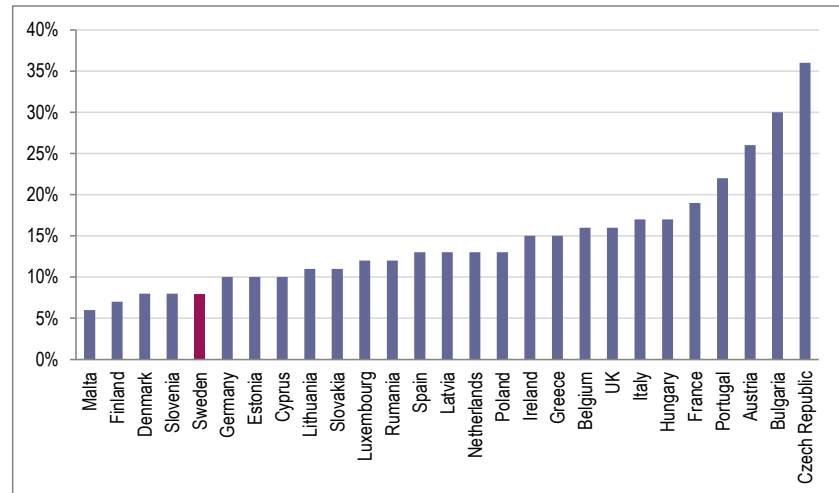
Another measure of the strong social cohesion found in Sweden is the extent to which people feel themselves to be a part of society. Here, international comparisons show not only that the great majority of Swedes see themselves as included and as members in society, but also that Sweden is among those countries of Europe in which the smallest share of the population feel left out of society (see Figure 8.1).

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<sup>16</sup> Green & Janmaat, 2011, Green et al., 2011.

<sup>17</sup> Harding, 2012; Levay, 2013.

Figure 8.1 Proportion who feels left out of society in Europe 2009



Source: European Commission, 2010b.

A third measure of social cohesion is the extent to which people feel they can trust other people in general. This is particularly important in modern societies with extensive division of labour, a feature of which is that we are dependent on our relations with others whose characters we know nothing about. For the great majority, not a day passes without our meeting and interacting with people we do not know. In such situations, we can either choose to believe that people mean well, and behave as if we trust them, or treat people we don't know with scepticism and in ways designed to protect ourselves should they prove untrustworthy. Our trust in others determines how we act – and how we ourselves are treated.

Trust in people in general is usually referred to as social trust. It both affects and is affected by the society people live in. The more people feel they can trust others in general, the more the social climate is distinguished by trust, and the more the social climate is distinguished by trust, the more natural it is for people to trust others. In such societies, social trust becomes an integral part of the culture.<sup>18</sup> Social trust is also an important part of a country's social capital.<sup>19</sup> Research moreover shows that there are clear links

<sup>18</sup> See for instance Trägårdh, 2009; Putnam, 2000; Rothstein, 2003; Jacobsson, 2010a, 2010b.

<sup>19</sup> Putnam, 1993, 2000.



between trust and things like economic growth, less crime, less corruption, economic equality and more effective public institutions.<sup>20</sup>

The degree of social trust is considered one of the best indicators of social cohesion<sup>21</sup> and is regularly studied by the SOM Institute in Sweden, for instance, and by international research bodies. The way the questions are framed varies, but both Swedish and international studies show that most Swedes feel they can trust most others.<sup>22</sup> In the SOM studies, interviewees are asked to state on a scale of 1 to 10 “the extent to which people in general can be trusted”. Based on their responses, they are then divided into a group with low trust (0–3), medium trust (4–6) and high trust (7–10). Over the past 15 years, the group with high trust has hovered around 55–60 per cent, while the group with low trust has stayed at around 10 per cent.<sup>23</sup>

In the *World Values Survey* and the *European Values Survey*, people are asked to choose between the two responses “most people can be trusted” and “you can’t be too careful in dealing with people”. In the latest survey, 71 per cent in Sweden stated that most people can be trusted, which is a higher share than in almost all other countries (see Figure 8.2).

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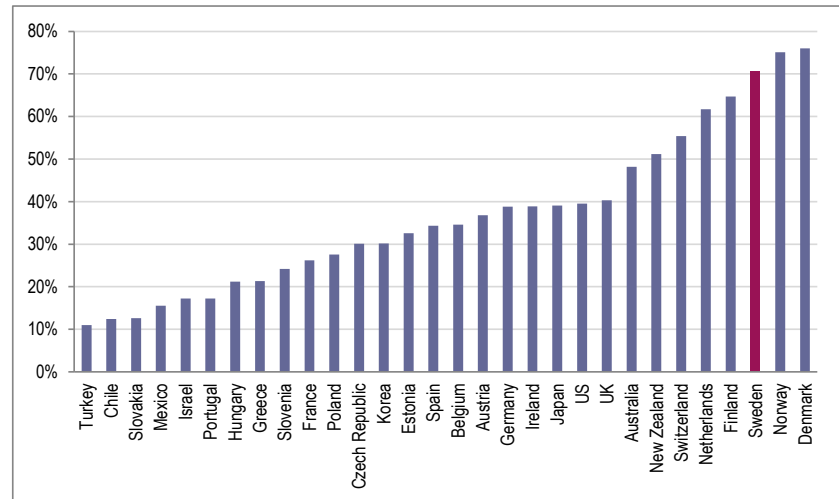
<sup>20</sup> Rothstein & Uslaner, 2005; Rothstein, 2003; Knack & Keefer, 1997; Zak & Knack, 2001; Beugelsdijk et al., 2004; Rothstein, 2011; Bergh & Bjørnskov, 2011.

<sup>21</sup> Green & Janmaat, 2011; Green et al., 2011; Easterley et al., 2006; Levay, 2013. For a critical discussion of different ways of measuring social trust, see Lundåsen & Pettersson, 2009.

<sup>22</sup> Green & Janmaat, 2011; Trägårdh, 2009; Levay, 2013; Delhey & Newton, 2005.

<sup>23</sup> Oskarson & Rothstein, 2012.

Figure 8.2 Social trust in Sweden and other OECD countries



Source: World Values Survey/European Values Survey, wave 5 (2005–2009). Swedish data taken from the European Values Survey.

A further indicator of social cohesion is the extent to which people feel there are severe tensions between groups in society. This is relevant not least because concerns that social cohesion is weakening is often due to a perception that disparities between groups are growing. While the objective differences have an important bearing on social cohesion – and we will come back to them – the perceived or subjective dissimilarities and tensions are also relevant.

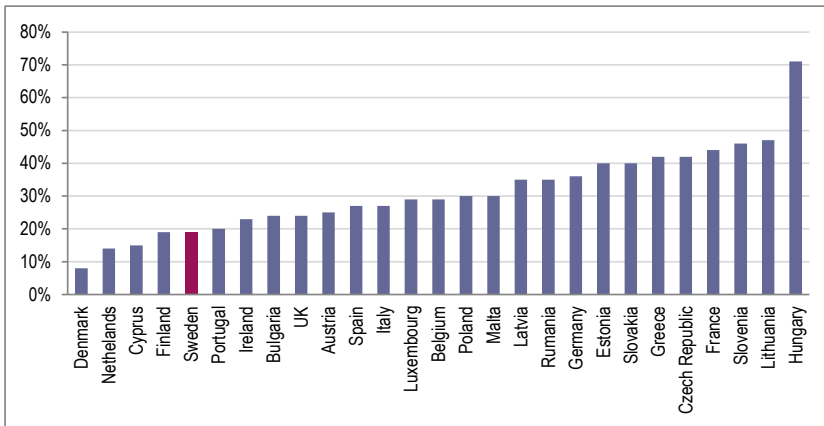
Less research is available on the question of how people perceive tensions between groups, but a year or two ago the European Commission commissioned a special study into the extent to which people in the EU perceive tensions between old and young, management and staff, poor and rich, and between ethnic groups.<sup>24</sup> The study shows that Swedes perceive relatively few tensions between young and old; only 9 per cent stated that there were severe tensions. This figure may be compared with the EU average of 15 per cent. In the case of relations between management and staff, relatively few Swedes – 12 per cent – also perceive severe tensions. The only country with a lower rate in this area, 5 per cent, is Denmark. In the EU as a whole, an average of 30 per cent feel

<sup>24</sup> European Commission, 2010b.

there are severe tensions between management and staff, and in countries such as Greece, France and Hungary the proportion is around 50 per cent.

Similarly, the percentage of people in Sweden who perceive severe tensions in relations between poor and rich is lower than in most other EU countries, although the level of tension in this category is considered greater than levels in the management-staff and young-old categories (Figure 8.3).

**Figure 8.3** Perceived tensions between poor and rich in Europe 2009

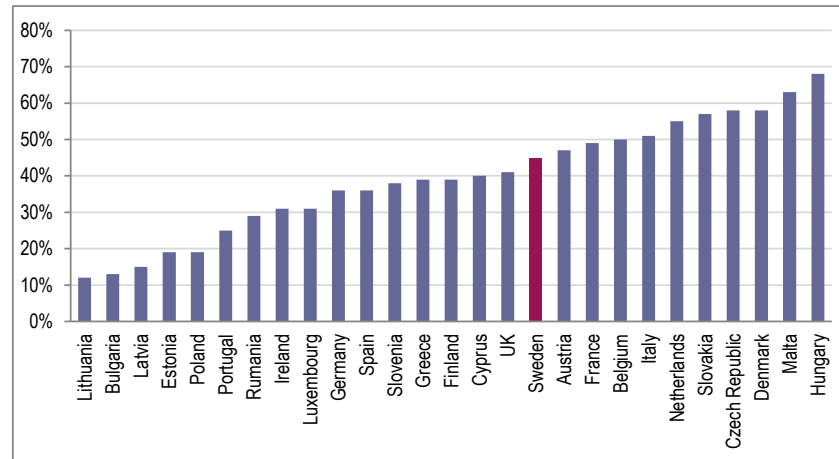


Source: European Commission, 2010b. The figure shows the percentage that perceives severe tensions.

There is however one exception to this general pattern, namely relations between different ethnic groups; here, 45 per cent feel that there are severe tensions. In this respect, moreover, Sweden no longer appears as harmonious as other countries in the EU (see Figure 8.4). Similar results are reported in another European study where people were asked how they perceive relations between groups from different cultural, religious and national backgrounds. In the EU as a whole, 56 per cent felt relations were fairly good or very good, while the proportion in Sweden was 52 per cent. However, only 4 per cent felt relations were very poor.<sup>25</sup>

<sup>25</sup> European Commission, 2012a, p. T7.

Figure 8.4 Perceived tensions between ethnic groups in Europe 2009



Source: European Commission, 2010b. The figure shows the percentage that perceives severe tensions.

The fact that almost half of respondents perceived tensions between ethnic groups, or groups from different cultural, religious or national backgrounds, should however not be interpreted as a sign of intolerance. As we saw in Chapter 1, few say for instance that they do not wish to have people with AIDS, homosexuals, immigrants or people of another faith or ethnicity as neighbours. Furthermore the proportion that do not want to have people from these groups as neighbours has declined over the years, and has in any case been lower in Sweden than in most other countries. Meanwhile, the proportion who feel that accepting fewer refugees in Sweden is a good idea has also declined, from a peak of 65 per cent in 1992 to 41 per cent in 2011.<sup>26</sup> Moreover, 60 per cent of Swedes think that the EU should encourage labour immigration from non-EU countries as a means of meeting the demographic challenges ahead and filling the gaps in the labour market. 95 per cent of Swedes also think that the EU should offer asylum and protection to those in need of it. In both cases, these figures are higher than in any other EU country.<sup>27</sup>

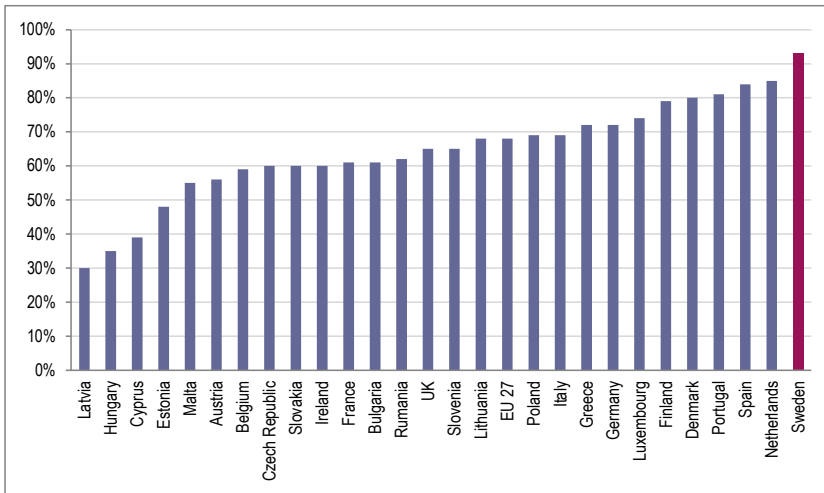
While this may not be the best measure of tolerance, other studies paint the same picture of the Swedes as a generally tolerant people. The Eurobarometer, for instance, shows that 93 per cent of Swedes feel that immigrants should have the same rights as national citizens, while 81

<sup>26</sup> Demker, 2012.

<sup>27</sup> European Commission, 2012b.

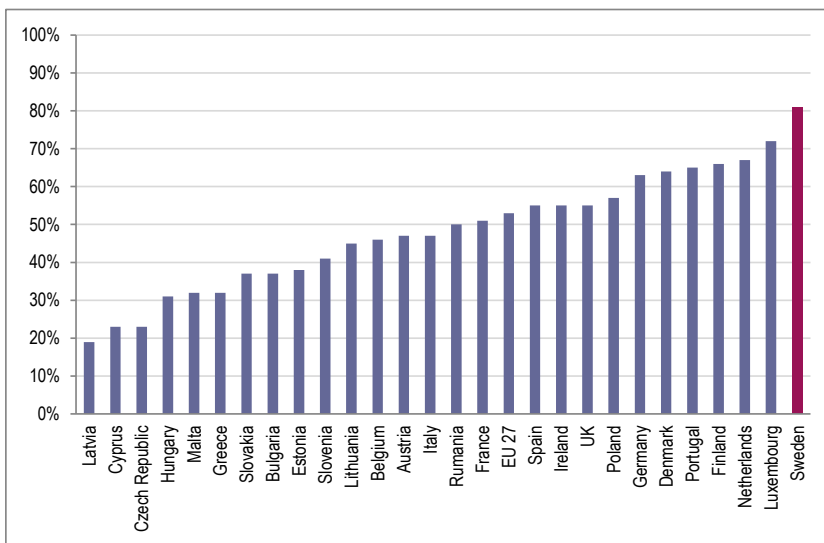
per cent feel that immigration enriches Sweden both economically and culturally. In both cases, these percentages are higher than in any other EU country (see Figures 8.5 and 8.6).

**Figure 8.5** Immigrants should have the same rights as other citizens



Source: European Commission, 2010b. The figure shows the percentage that agree that immigrants should have the same rights as other citizens in the country concerned.

**Figure 8.6** Immigration enriches the country economically and culturally



Source: European Commission, 2010b. The figure shows the percentage that agrees that immigration enriches the country economically and culturally.

While the validity and reliability of responses in studies of this type may be disputed, the overall picture they present is clear.<sup>28</sup> Opinions differ, however, as to the extent to which immigrants should adapt to Sweden and Swedish customs and traditions, as shown for instance by the *Diversity Barometer*. While about 60 per cent agree that “ethnic diversity improves our culture” and 50 per cent that “society should give immigrants the chance to preserve their cultural traditions”, a group of around 25 per cent feel that “immigrants represent a threat to our culture” and around 80 per cent take the view that “immigrants have a duty to adapt to our country’s customs and traditions”.<sup>29</sup>

Taken together, all this shows that social cohesion is generally strong in Sweden. Most people trust one another, relatively few feel excluded from society, many are actively involved in civil society, tolerance towards groups with a different cultural, religious or ethnic background is generally high, and on the whole relatively few perceive severe tensions between different groups. In addition, the violent crime rate is low and most people feel safe in public spaces.<sup>30</sup> This pattern has been documented in numerous studies; and, especially where trust is concerned, Sweden and the Nordic countries score exceptionally high marks by international standards.<sup>31</sup>

There are, however, warning signals. One is the perceived tensions between groups of different national, cultural and ethnic backgrounds. Signs that social trust is declining among younger people are another.<sup>32</sup> A third is a discernible trend towards greater heterogeneity and greater dissimilarities between groups, associated not least with the weaker position of certain groups in the labour market and with their exclusion from society. In order to analyse future challenges properly, we need to look at what build Swedish social cohesion and at what makes Sweden special in an international perspective.

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<sup>28</sup> Johansson Heinö, 2012.

<sup>29</sup> Mella & Palm, 2012.

<sup>30</sup> European Commission, 2012b; Levay, 2013.

<sup>31</sup> Trägårdh, 2009; Jacobsson, 2010b; Oskarson & Rothstein, 2012; Rothstein & Uslaner, 2005; Green & Janmaat, 2011.

<sup>32</sup> Oskarson & Rothstein, 2012.

## Sweden and the Nordic model

While all countries need a minimum level of social cohesion, this sense of belonging, of community, is shaped by different factors in different countries. A familiar example is the American dream, i.e. the idea that all citizens who are honest and hard-working stand a good chance of getting ahead in life. This is often said to be crucial to both the United States' self-image and the cohesion of its society. It is often presented as an American dream rather than a universal one, and has its roots in the country's history.<sup>33</sup>

This shows that although many countries share the same view of certain core values, as expressed for instance in the Declaration of Human Rights, a given country's institutions, laws and value patterns are always shaped by the social, political and cultural traditions of that country or of that part of the world. Over time, nations have accordingly shaped laws, institutions and value patterns that are particularly relevant and important to social cohesion in those specific countries.<sup>34</sup> This also means that the foundations of social cohesion are internally related, although countries that for historical or geographical reasons have had close links with one another tend to resemble one another.

The close similarities between the Nordic countries therefore have historical explanations, and have been documented in a number of studies in various fields.<sup>35</sup> It also emerges from an extensive study of social cohesion in the OECD countries, undertaken by Andy Green and Jan German Janmaat.<sup>36</sup> This study uses measures or indicators relating to attitudes (e.g. social trust and attitudes towards immigration), as well as behavioral patterns (e.g. associational activity and criminality) and institutional relations (e.g. income dispersion and the size of the public sector).

When the various indicators are analysed and weighed together, three regimes of social cohesion may be discerned among the OECD countries. These also closely resemble an influential analysis by Gösta Esping-Anderson in which he identifies a number of welfare state regimes.<sup>37</sup> Such regimes summarise general features common to different countries, although each country does not

<sup>33</sup> De Tocqueville, 1997a, 1997b; Gelin, 2009; Rosenberg, 2008; Berggren & Trägårdh, 2006.

<sup>34</sup> See for instance Schmid, 2010; Berggren & Trägårdh, 2006.

<sup>35</sup> Esping-Andersen, 1990; Hallin & Mancini, 2004; Ryner, 2007; Greve, 2007; Berggren & Trägårdh, 2012; *The Economist*, 2–8 februari 2013.

<sup>36</sup> Green & Janmaat, 2011; Green et al., 2011.

<sup>37</sup> Esping-Andersen, 1990; Se även Svallfors, 2004.

necessarily possess each feature. The social cohesion regimes identified by Green and Janmaat are:<sup>38</sup>

- *The Anglo-Saxon model.* This model is particularly prominent in the US and the UK. It is distinguished by ideals of freedom, a strong belief in individual opportunity and private property rights, a deep suspicion of the state and a desire to limit the role of public welfare. These countries exhibit major income inequalities and considerable ethnic and cultural diversity. Cohesion has a weak institutional foundation and public welfare provision is both limited and based on means-tested benefits.

There are signs that social cohesion is weakening, with rapidly declining levels of trust and a relatively high crime rate. Voluntary activity is extensive, however, tolerance is high and there is a relatively widespread belief in the core values of democracy and meritocracy. Together with the economic growth of recent decades, this may have helped hold these societies together. The fact that income inequality has grown in recent decades is regarded as a minor problem as long it does not threaten the belief that one can get ahead in life. However, that very threat may be about to materialise, and Green and Janmaat view such a development as the principal challenge to social cohesion in the Anglo-Saxon countries.

- *The North-West European model.* This model is prominent in Germany, France, Belgium and Austria, and to some extent the countries of southern Europe. Countries covered by this model are distinguished by a conviction that both the state and shared values are vital to cohesion, but at the same time display a considerable degree of value pluralism. These countries are also characterised by collaborative solutions in the labour market and business management fields, moderate income disparities, low associational activity and varying degrees of social trust. Public welfare is extensive but also hierarchical, since it primarily strengthens traditional family ties.

Meanwhile, tolerance has declined and growing ethnic diversity and value pluralism is now challenging the highly valued national culture. According to Green and Janmaat, countries in which the social market model applies are finding it

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<sup>38</sup> Green & Janmaat, 2011.



difficult to deal with cultural diversity, and this represents the foremost challenge to cohesion in these countries.

- *The Nordic model.* Countries characterised by this model are distinguished by a strong belief in freedom, equality and solidarity and by relatively small income gaps. High social mobility is underpinned by an equalising school system. Generous and universal welfare systems and an exceptionally high level of social trust also distinguish the Nordic countries. Membership of non-profit organisations is also high, and active voluntary participation is mid-level. Tolerance is high and perceived tension between community groups is low, except between ethnic groups.

Whereas social trust elsewhere has declined or remained at the same level, it has increased in the Nordic region. However, the welfare state is coming under growing long-term pressure from an ageing population and global competition. The greatest challenge for social cohesion in the future, according to Green and Janmaat, will be to sustain universal welfare systems in an increasingly globalised world.

In sum, what the literature suggests is that the most significant factor in relation to social cohesion in the Nordic countries is the high level of equality. Underpinned by universal welfare systems, it evens out differences in life opportunities, thereby creating opportunities for individual freedom.<sup>39</sup> At the same time, however, great importance is attached to personal responsibility and the need for all to do their share by working, paying tax, showing solidarity and not over-exploiting benefit systems.<sup>40</sup>

### **New challenges and growing disparities between groups**

While social cohesion is currently strong in Sweden, a number of change processes are under way that threaten to increase differences and reduce contact between groups in ways that in the future could generate new challenges to social cohesion. Foremost among these are exclusion and economic inequality, greater ethnic

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<sup>39</sup> Inglehart & Welzel, 2005; Svallfors, 2004, 2011; Berggren & Trägårdh, 2006.

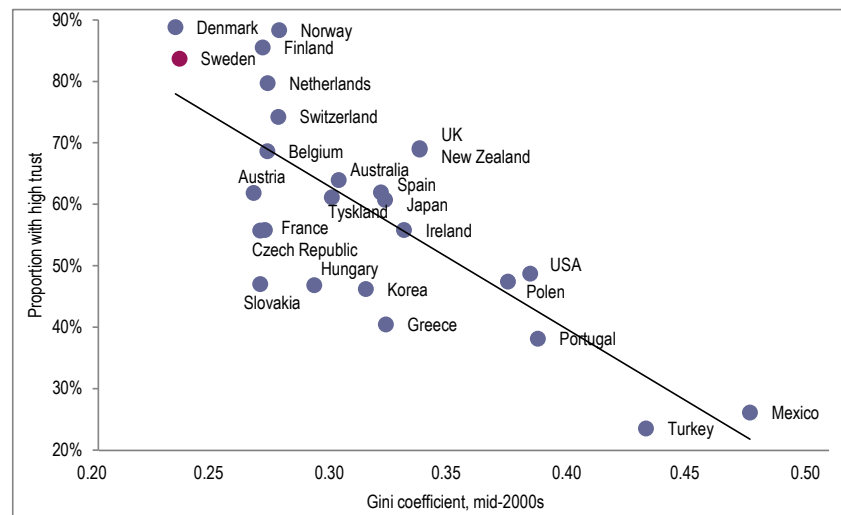
<sup>40</sup> Jacobsson & Sandstedt, 2010.

and cultural diversity, individualisation and an increasingly fragmented media environment.<sup>41</sup>

*Exclusion and economic inequality*

One of the most important pillars of social cohesion in Sweden and the Nordic countries is the high level of economic equality. Basically, this is determined by the presence of as high a rate of employment and as low a level of exclusion as possible. It is also important in that there appears to be a link between economic equality and trust, and between trust and economic prosperity. What the causal relations actually are between trust, economic equality and states with universal welfare systems designed to even out differences in life opportunity – i.e. what influences what – is a subject of discussion within the research community. Regardless of the causal direction, there is however general agreement that there are positive correlations between states with universal welfare systems, economic equality, social trust and social cohesion (see for instance Figure 8.7).<sup>42</sup>

**Figure 8.7** The link between income dispersion and social trust



Source: OECD, 2011a.

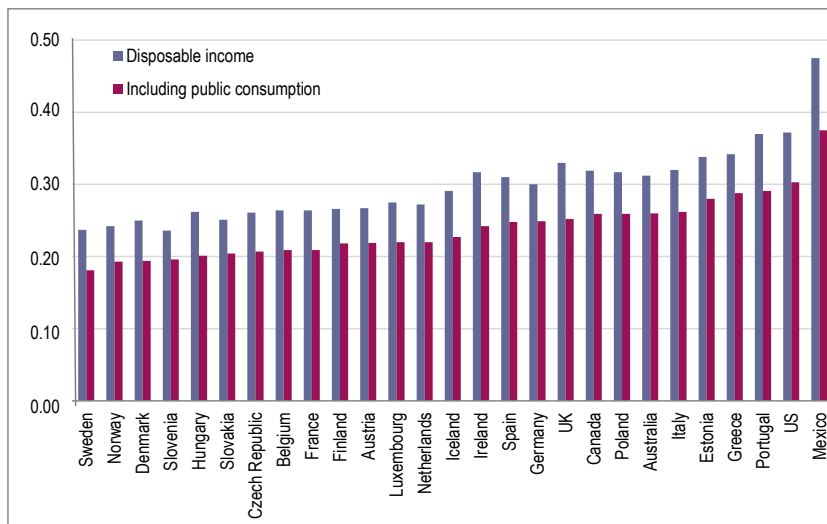
<sup>41</sup> For a broader discussion, see Levay, 2013.

<sup>42</sup> See inter alia Wilkinson & Pickett, 2010; Green & Janmaat, 2011; Bergh, 2009; Bergh et al., 2012; Rothstein & Uslaner, 2005.

There are various ways of measuring income dispersion. As noted in Chapter 1, the most widely used benchmark is what is known as the Gini coefficient, which ranges between 0 (where all have identical incomes) and 1 (where all incomes go to one person).

Sweden currently has one of the highest levels of economic equality. Equality in income distribution in Sweden peaked around 1980. Since the early 1980s, however, the coefficient has risen; according to the OECD it increased from 0.2 in the mid-1980s to 0.259 by 2008.<sup>43</sup> However, it has also increased in other OECD countries. Sweden now ranks sixth in the world in terms of income equality, based on the Gini coefficient. It is also the OECD country that invests the largest share of GDP in public services that promote equal opportunities in life, including education and healthcare. If these welfare expenditures are factored in, Sweden is the OECD country with the smallest income gap (see Figure 8.8).<sup>44</sup> In terms of the proportion of gross earnings that go to the one per cent with the highest earnings, Sweden is at the bottom of the table among OECD countries while the US is at the top.<sup>45</sup>

Figure 8.8 Gini coefficients in selected countries



Source: OECD, 2011a. The diagram refers to the Gini coefficient is in the mid-2000s.

<sup>43</sup> OECD, 2011a, p. 24, 45; see also Jonsson et al., 2010.

<sup>44</sup> OECD, 2011a, pp. 38–39; see also Jonsson et al., 2010.

<sup>45</sup> OECD, 2011a, p. 12; see also Bartels, 2008

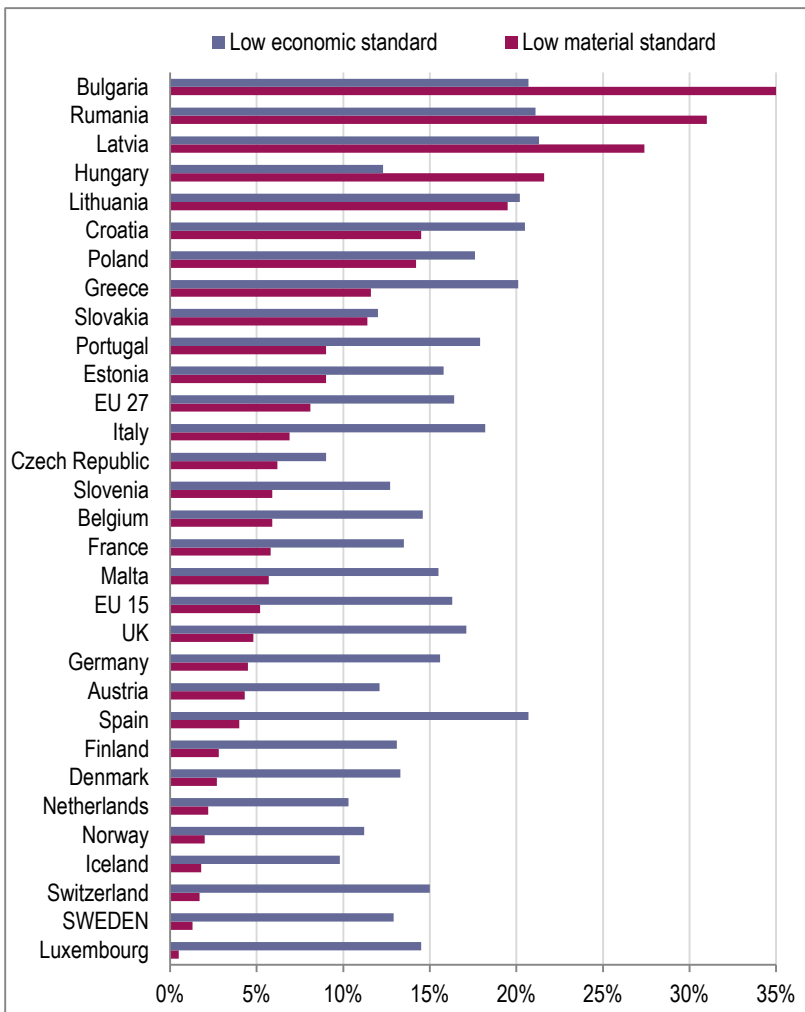
By other standards as well, Sweden ranks among those countries in the world with the lowest rates of economic inequality and exclusion. A couple of examples involve the share of the population with a *low material standard* and the share with a *low economic standard*. *Low material standard* is an absolute measure, defined as an individual lacking the requisite means in at least four of the following nine areas: to meet unforeseen expenses, to go off on a week's holiday, to pay debts, to eat a meal that includes meat, chicken or fish every second day, to keep the home reasonably warm, to have a washing machine, to have a colour television, to have a telephone and to own a car. *Low economic standard* is a relative measure, and refers to the proportion of individuals with an income below 60 per cent of the national mean income.

In 2010, only 1 per cent of the Swedish population had a low material standard while 13 per cent had a low economic standard (see Figure 8.9).<sup>46</sup> Sweden is also among those countries in Europe with the lowest proportion of children living in financially deprived circumstances. Based on the absolute measure, low material standard, 1 per cent of Swedish children are living under such circumstances, compared with 10 per cent of children in the EU as a whole. Based on the relative measure low economic standard, 14.5 per cent of Swedish children are living in financially deprived circumstances, compared with 20.6 per cent of children in the EU as a whole.

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<sup>46</sup> Swedish Government, 2011, p. 29; Eurostat, EU-silc.

Figure 8.9 Proportion of the population with low material and low economic standard 2011



Source: NB The income data in EU-SILC for a specific year refer to the previous year's incomes, Eurostat.

The most important consideration in limiting economic inequality is to ensure that as many people as possible are employed. The higher the activity rate, the greater control and power people have over their lives, the better their material prospects are, and the less risk there is of economic inequality and exclusion. High employment rates also reduce the risk of weakened social cohesion.

Boosting employment is important not only for its own sake but also as a means of reducing the risk that social cohesion will come under strain and of strengthening society's social and economic sustainability.

In sum, the above shows that economic inequality is no great threat to social cohesion in Sweden at present. We cannot be sure, however, that this will always remain the case. With this in mind, and given that income dispersion has increased somewhat in Sweden in recent decades, it is important to understand what drives the widening of income gaps.

Scholars are currently studying the reasons for why income inequality is increasing in most countries. Although no certain conclusions may yet be drawn, there is however general agreement that one important factor is escalating globalisation and increased global competition. In combination with technological advances, this has helped bring about a more knowledge-intensive mode of production while at the same time many manufacturing jobs of a less skilled variety have been eliminated or moved to other countries.<sup>47</sup> There is very little evidence that globalisation has adversely affected the number of jobs, but certain jobs have been eliminated while others have taken their place, and those that benefit most from this process are those with the skills and qualifications required in an increasingly knowledge-intensive production process.<sup>48</sup> Another important explanation is that capital income has become more significant as a result of developments such as rising stock market and property values.<sup>49</sup> This means that, if capital income is factored in, income inequality is reduced at times of recession and increases during economic upswings.

Insofar as income inequality is growing as a result of tougher global competition and technological change, it seems likely that external factors will continue to push matters in that direction. There is a risk that this will pose a challenge to social cohesion in the future, especially if some people feel that they are falling behind, that their living conditions are worsening and that the widening income gaps are unjust. Social cohesion may also be threatened if those who benefit most from societal developments feel less solidarity with the rest of society and become less willing to contribute to public institutions and the common good. If social

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<sup>47</sup> See Björklund & Jäntti, 2011; OECD, 2011a; Calmfors, 2008; Braunerhjelm et al., 2009.

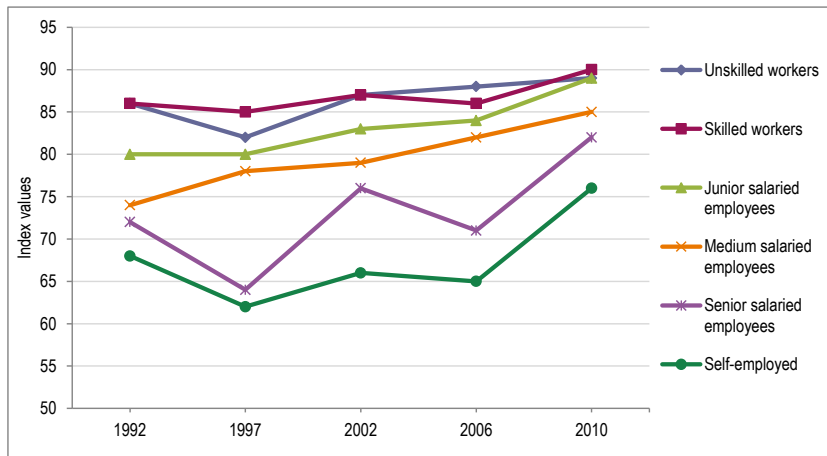
<sup>48</sup> Calmfors, 2008; Braunerhjelm et al, 2009.

<sup>49</sup> Björklund & Jäntti, 2011.

cohesion is to be sustained, it is vital that both those with few resources and those with most resources feel a part of the community.

According to the Swedish welfare surveys conducted periodically over the past three decades, however, welfare policy enjoys widespread and growing public support.<sup>50</sup> The latest survey from 2010 shows that more people than before are prepared to pay more tax for welfare purposes, that more people support collective financing of welfare services and that fewer suspect that the country's public systems are being exploited.<sup>51</sup> The most noteworthy finding in the latest findings is that support for publicly financed welfare among senior salaried employees and the self-employed, which was previously much lower than among the rest of the population, increased significantly between 2006 and 2010. This is clear from Figure 8.10, which shows changes in support for collective financing of welfare services among various social groups.

**Figure 8.10 Support for collective welfare financing among various social groups 1992–2010**



The financing index summarises survey responses concerning support for the collective financing of welfare services and social insurance schemes. 100 = high level of support.

Source: Svallfors, 2011.

<sup>50</sup> Svallfors, 2011; Borgström, 2011.

<sup>51</sup> Svallfors, 2011, p. 814.

What is important for social cohesion, however, is not just the scope of economic inequality as such but also whether people feel they have say in their lives. A special challenge for the future is the question of whether there may be a growing number who see themselves as losers and who feel they can not improve their situation.

Social mobility is key to the attempt to prevent society from becoming rigid and social inheritance from growing becoming burdensome. Here, Sweden has an advantage in that social mobility has traditionally been and remains high. In fact it is higher in Sweden than in the US, for example, despite all talk of the American dream. There are different ways of measuring the degree of social mobility, but the most common approach is to study the links between parent and child incomes or between sibling incomes; the purpose in both cases is to establish the significance of family background to children's incomes.<sup>52</sup> Taking the latter type of study as the point of departure, research shows that family background explains about 25 per cent of income dispersion in Sweden, compared with about 49 per cent in the US.<sup>53</sup>

If society is to develop and prosper, people must be willing to take risks, and this means it must be worth their while to work, invest and start a business. Most people also agree that better performance should be rewarded with a higher wage or salary and that it should pay to study.<sup>54</sup> Should inequalities become too great and people feel they cannot improve their situation, this would however constitute a challenge to social cohesion. A further challenge would arise if the most successful were to lose the will to contribute to the common good. If it is to hold together, society must ensure both that people are given the right incentive to work and study – and to invest and start companies that can help boost employment – and that people are able to feel that everyone has the same opportunities to improve his or her situation in life.

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<sup>52</sup> See inter alia Blanden, 2009; Björklund & Jäntti, 2011; Björklund et al., 2010; Björklund et al., 2009.

<sup>53</sup> Björklund & Jäntti, 2011, p. 86.

<sup>54</sup> Green & Janmaat, 2011, pp. 113–114.



*Greater ethnic and cultural diversity*

Another potential challenge for social cohesion in the future concerns relations between groups with differing national, cultural, religious and/or ethnic backgrounds. Today, Sweden is an immigrant country with a wide diversity of inhabitants, and this has enriched it economically, culturally and socially. However, there are certain deficiencies in the sphere of integration.

International research on correlations between ethnic background and indicators of social cohesion and social trust has been extensive, and in part contradictory. Some of these studies have found a negative correlation between ethnic diversity and for instance associational activity,<sup>55</sup> social trust,<sup>56</sup> willingness to pay tax to finance public welfare,<sup>57</sup> and civic norms such as not cheating on taxes or benefits.<sup>58</sup> Other studies, however, show that there are no negative correlations between the degree of ethnic diversity and social cohesion indicators such as social trust, civic cooperation and associational activity.<sup>59</sup> Still further studies show that correlations exist but that they are explained by other factors such as for instance economic deprivation, unemployment, housing segregation and lack of interpersonal contacts rather than by ethnic diversity per se.<sup>60</sup>

One difficulty in this connection is that ‘ethnic diversity’ is a multifaceted concept<sup>61</sup> and that different studies use different definitions of it. Another difficulty stems from the fact that research has been conducted in different countries, while the level of economic, social and political integration – along with many other factors – varies from country to country. This makes it difficult to compare studies undertaken in different countries and at different times. It is also difficult to establish the direction of the causal links.

We may nevertheless conclude from research on correlations between ‘ethnic diversity’ and social cohesion that diversity per se is not the decisive factor. Rather, it is a matter of how well integration works and how much contact people from different

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<sup>55</sup> Putnam, 2007.

<sup>56</sup> See for instance Gustavsson & Jordahl, 2008; Putnam, 2007; Alesina & La Ferrara, 2002.

<sup>57</sup> Alesina et al., 1997; Alesina et al., 2001.

<sup>58</sup> Knack & Keefer, 1997.

<sup>59</sup> Green & Janmaat, 2011; Hooghe et al., 2009; Bjørnskov, 2008; Stichnoth & van der Straeten, 2011.

<sup>60</sup> Letki, 2008; Uslaner, 2008; Stichnoth & van der Straeten, 2011; Stolle et al., 2008.

<sup>61</sup> Se Hylland Eriksen, 1993.

groups have with one another.<sup>62</sup> Given this, the key factor is not what proportion of the population that is born abroad or have a parent with a foreign background. Instead, the most relevant aspects are labour market integration, the ability to overcome language barriers, and social and cultural integration.

If social and cultural integration is to work, people with foreign backgrounds must be willing to be integrated, native-born people must be willing to have contact with them and not be hostile towards them, and there must also be natural arenas and forums where they can meet. Today, there are few signs that people with non-Swedish backgrounds are unwilling to be integrated, and the great majority of citizens have a tolerant attitude towards people of foreign extraction.

However, reducing exclusion remains an overarching challenge. Such a reduction would strengthen social cohesion and sustainability and also reduce the risk that negative attitudes to people with foreign backgrounds will develop or be reinforced. A further challenge is to increase the areas of contact between people from different groups. This applies not only to the interfaces between native-born and people with foreign backgrounds, but also to other groups in society. Today, almost one in three state that they never mix with immigrants from a non-European country, while about half say they seldom mix with them.<sup>63</sup> Another indication is that many immigrants feel excluded from Swedish society, even if they have lived and worked in the country for decades.<sup>64</sup>

One problem in this context is housing segregation. Although immigrants have always sought out areas where many of their compatriots live, physical segregation often leads to mental segregation. The problem is compounded where areas housing a large proportion of residents with foreign backgrounds also experience social problems, high unemployment, low incomes and social deprivation. There is a risk that this will reinforce both spatial and mental segregation and make integration more difficult.<sup>65</sup> Housing segregation is also reflected in the composition of pupils at individual schools. However, it should be remembered that in a given area there are often considerable differences in the

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<sup>62</sup> Uslaner, 2011; Levay, 2013; Stichnoch & van der Straeten, 2011.

<sup>63</sup> Mella & Palm, 2012.

<sup>64</sup> Ljungar, 2010. Se också Mahmood, 2012.

<sup>65</sup> Joyce, 2013; Levay, 2013.

degree of exclusion that are unrelated to the proportion of foreign-born persons living there.<sup>66</sup>

Another challenge is related to Swedes' self-image and the definition of what it means to be Swedish. As discussed previously, Sweden has been transformed into a country of immigration in recent decades and has not had a homogenous population for a long time. This not only applies to people's origins but also to things like values, lifestyles, likes and dislikes. Sweden has become more heterogeneous in every respect, and there are many ways to be Swedish.

Nonetheless, there are many who still, consciously or unconsciously, view Swedishness not as something based on citizenship but rather on external markers. There are also many who tend to regard ethnicity as something unalterable and the single most important aspect of a person's identity.<sup>67</sup>

Yet people have many different identities, and one's birthplace or ethnicity is not necessarily the most crucial aspect where personal identity is concerned. Like cultures, identities and the relevance of ethnicity can and do change.

To sum up, greater diversity in terms of people's national, social and cultural backgrounds may pose a challenge to social cohesion in the future. The main challenge, however, is not greater diversity as such. Above all, it consists in spatial and mental segregation, lack of contact and social exchange between groups, perceptions of Swedishness and, not least, social deprivation and exclusion from the labour market.

### *Individualisation*

In an international perspective, Sweden is a country where people hold more strongly individualised and self-expressive values than people in other countries.<sup>68</sup> Compared with those in other countries, we have less respect for traditional authority and attach more importance to personal independence. In the Swedish literature on value changes across time, the picture is however not as clear-cut. There are studies showing that the proportion of people displaying an individualistic attitude increased from 49 to 60 per cent during the 1980s, while the proportion with an

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<sup>66</sup> Fölster & Renstig, 2013.

<sup>67</sup> Hylland Eriksen, 1998; Mahmood, 2012, 2013.

<sup>68</sup> Inglehart & Welzel, 2005.

individualistic view of working life rose from 25 to 49 per cent in the same period.<sup>69</sup> Conversely, collective identities such as class identity have weakened, although class identity is still relevant to an understanding of behavioural and value patterns of different kinds.<sup>70</sup> However, the SOM studies show that the proportion viewing self-fulfilment as highly important has declined from a peak of 33 per cent around the turn of the century to 25 per cent. In other respects, the proportion that set most store by self-fulfilling freedom values was also highest around the turn-of-the-century, after which it declined.<sup>71</sup>

Individualisation, is however not just about values. It is also about behavioural patterns associated with a growing range of choices.<sup>72</sup> As societies have advanced socially, culturally and economically, the range of goods, services, recreational activities, lifestyles etc. has increased dramatically. The greater the range, the greater the freedom of choice, and the greater the freedom of choice, the more important people's preferences and values become. The more important the latter become, the greater the likelihood that people will make different choices.<sup>73</sup> This might be described as a form of institutionalised individualism.<sup>74</sup>

Greater freedom of choice and a greater range of life choices are positive developments, and moves in this direction need not impact on social cohesion and people's sense of belonging to the same community. A trend towards greater differences between the choices people from different groups make – especially if areas of contact between groups or social mobility should decline – could present a risk, however.

Of particular importance in this context is school education. This is partly because schools can contribute to social cohesion by providing a place where children from different social backgrounds can meet, exchange experiences and develop similar skills and values,<sup>75</sup> and partly because schools can help give children whose home circumstances differ the same opportunities to succeed both in their studies and in working life. By contributing to social

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<sup>69</sup> Petterson & Geyer, 1992.

<sup>70</sup> Swedish Government Official Report, Swedish Government Official Report, SOU 1990:44; Oskarson et al., 2010; Svallfors, 2004.

<sup>71</sup> Oscarsson, 2012, p. 529.

<sup>72</sup> Beck & Beck-Gernsheim, 2002; Bjereld et al., 2005; Bjereld & Demker, 2008; Swedish Government Official Report, SOU 1990:44.

<sup>73</sup> Luskin, 1990; Prior, 2007; Strömbäck, Djerf-Pierre & Shehata, 2012.

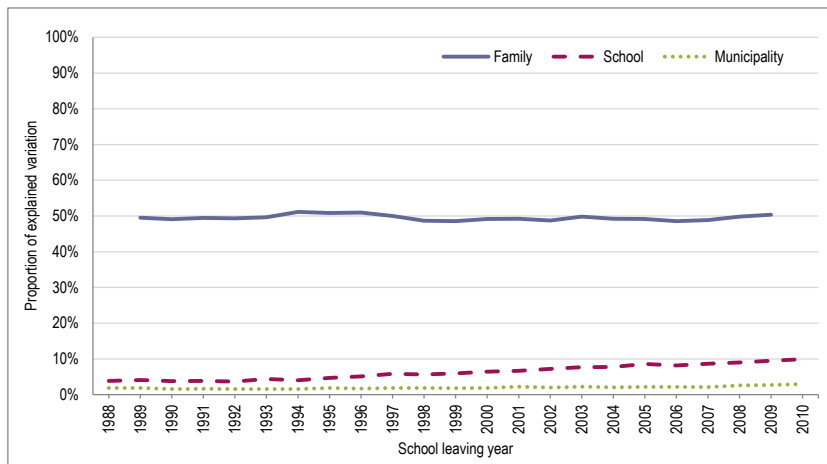
<sup>74</sup> Beck & Beck-Gernsheim, 2002.

<sup>75</sup> Ekman, 2012.

mobility and a sense of participation, schools tend to have a cohesive effect over time.<sup>76</sup> The pro-equality nature of the Swedish and Nordic school systems, which are among the foremost in the world in this respect, has also been identified as an important prerequisite for social cohesion in Sweden and the Nordic countries.<sup>77</sup>

Fears have sometimes been expressed that equivalence across schools is on the decline in Sweden, and the National Agency for Education and others have shown that disparities have increased between municipalities, schools and classes alike.<sup>78</sup> At the same time, there are either few signs, or none at all, of any rise in the importance to pupil performance of family background or parental level of education.<sup>79</sup> The most comprehensive study so far, covering the period from 1988 to 2010, shows that the significance of family background for the variation in final marks among compulsory school leavers has remained more or less constant over time. Which schools pupils attend has on the other hand become more significant (see Figure 8.10).

**Figure 8.10** The significance of certain factors for the variation in compulsory school leavers' final marks 1988–2010<sup>80</sup>



Source: Anderstig, 2012, p. 13.

<sup>76</sup> Cf Rothstein & Uslaner, 2005; Uslaner 2010.

<sup>77</sup> Green & Janmaat, 2011, p. 80.

<sup>78</sup> Swedish National Agency for Education, 2012.

<sup>79</sup> Swedish National Agency for Education, 2012; Böhlmark & Holmlund, 2012.

<sup>80</sup> Final marks here refers to the school leaver's average marks in mathematics and English in Year 9; the significance of family is estimated using the correlation between marks for siblings born in the space of three calendar years. See also Böhlmark & Holmlund, 2012.

In other words, research indicates that differences between schools have become greater while there is no change in the impact of family background. It is not clear how this is to be explained, and it may be the case that various school reforms and development tendencies have moved things in different directions. Greater freedom of choice, for instance, has meant that housing and housing segregation have less impact on the choice of school, but it may also have increased the significance of motivation-based factors. Studies show, however, that independent schools have helped improve the performance of pupils both at the compulsory school level and in subsequent studies at upper secondary level or in higher education, both in the case of independent school pupils and for pupils at municipally run schools in municipalities with independent schools.<sup>81</sup>

If the importance of choosing the ‘right’ school increases in the future, this would however represent a challenge to social cohesion, especially if the ability to make a carefully considered choice were to vary in accordance with other resource disparities. The situation in this respect needs to be monitored closely to ensure that it does not develop into a future challenge.<sup>82</sup> If society is to hold together, it is crucially important that schools give all their pupils the same opportunity to learn and develop – regardless of what kind of home they come from, whether they have a foreign or a Swedish background and whether they attend an independent or a municipal school.

#### *An increasingly fragmented media landscape*

A vital prerequisite for social cohesion is the perception that you belong to the same community, despite the fact you may never have met or even heard of one another. In this context, the media play a key role.

By consuming the same news media, or news media that present a similar picture of reality, people from north to south get roughly the same information about what is happening. This means that the media not only help us to learn what is going on in other parts of the nation, and to learn about one another, but also help people living in different circumstances in different areas of society to

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<sup>81</sup> Böhlmark & Lindahl, 2012.

<sup>82</sup> Böhlmark & Holmlund, 2012.

develop the same frames of reference. Extensive research also shows that the media can exert considerable influence both in terms of what issues people consider important and of how we understand and perceive reality.<sup>83</sup>

In this perspective, the changes in the media environment discussed in Chapter 7 risk not only widening knowledge gaps and participation gaps, but also contributing to a fragmentation of the public space, to a polarisation of the political debate and to more diverse perceptions of reality. The fact that it has become easier for people to customise the news they are interested in and to seek out sources of information that confirm their pre-existing opinions and perceptions of reality serves to reinforce this trend.<sup>84</sup>

In Sweden, the traditional mass media have a strong position in relation to niche media – especially those on the internet – that pursue other agendas, but we cannot assume that this will continue to be the case. The question that needs to be asked, therefore, is: What happens to the national sense of community and to social cohesion if people increasingly choose media pursuing particular agendas and offering more or less slanted descriptions of reality, and if these media place greater emphasis on that which separates us than on that which brings us together?

### Civil society and close relationships

While social cohesion largely refers to society as a whole, both community spirit and our sense of solidarity and feel for the common good are also shaped by the smaller constellations that we are a part of. In civil society communities and through close personal ties, trust and relationships develop that can have a major impact on social cohesion as a whole.<sup>85</sup> In both past and present, for instance, religious communities, temperance movements, adult education associations and other voluntary bodies have been instrumental not only in mobilising people in pursuit of common goals but also in bringing together people from different sections of society.<sup>86</sup>

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<sup>83</sup> McCombs et al., 1997; McCombs et al., 2011; Iyengar, 1991 ; Shehata, 2012.

<sup>84</sup> Jamieson & Cappella, 2008; Prior, 2007.

<sup>85</sup> Putnam, 1993, 2000.

<sup>86</sup> Harding, 2012; Putnam, 2000; Micheletti, 1994; Trägårdh, 1995.

Through working together in voluntary organisations, people can realise projects that they find important and meaningful while at the same time getting to know others outside their own circle of family and friends and taking part in a wider social network that facilitates personal relations, exchanges of views and mutual assistance in life. Thus a mark of a society with good social cohesion is the presence of extensive social contacts within local communities and within the family.<sup>87</sup> This is true at the local level in particular, where strong personal ties are thought to offer the best social support, but weaker ties in large social networks may also contribute significantly to people's sense of identity, security and belonging in a given area. Both personal networks and organised voluntary activity encourage mutual trust and the development of common norms, which facilitates collective action to solve problems and dilemmas of various kinds in society.<sup>88</sup>

Civil society can help strengthen a sense of community *within* groups of people of similar social, cultural, political and/or religious affiliation or of similar age, but it can also help bring together people from different backgrounds.<sup>89</sup> This can be vitally important to people who otherwise risk becoming isolated and excluded. Social cohesion in society as a whole is thereby facilitated.<sup>90</sup> Participation in voluntary associations can also equip people wishing to become politically active or to shape public opinion with knowledge and experience. Also, many voluntary organisations offer a platform that gives people the chance to make their voices heard in public life and to influence social development, while at the same time much valuable work is undertaken in civil society on behalf of deprived people both within and outside Sweden. Also, there are value-based, non-profit organisations that provide welfare services, such as education, healthcare and elderly care. All this helps enhance participation in community life.

In other words, civil society is highly relevant to social cohesion. An important question for the future, therefore, is what challenges civil society faces. Three potential challenges would seem particularly important.<sup>91</sup> The first concerns the extent to which civil society organisations in future will be able to recruit and mobilise people for their activities. The second is about giving

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<sup>87</sup> Kearns & Forrest, 2000, pp. 999-1000.

<sup>88</sup> Kearns & Forrest, 2000.

<sup>89</sup> Putnam, 2000.

<sup>90</sup> Zimmer & Evers, 2010.

<sup>91</sup> See Harding, 2012, for a discussion on this.



people from different social, economic and cultural backgrounds the chance to meet, get to know one another and mix across group lines. This is largely happening in Swedish civil society today, but there are also signs of a lack of contact between different parts of the voluntary sector and indications that voluntary associations in some deprived metropolitan suburbs are operating in isolation from the rest of society. If civil society is to promote cohesion at the societal level in the future, it must help ensure greater contact not only within but also between groups.<sup>92</sup> The third challenge concerns whether professionalisation in certain organisations in civil society will continue in ways that would reduce the need and scope for voluntary activity.

The family fulfils a number of important functions for its members.<sup>93</sup> It supplies them with physical care, emotional support, an upbringing and social affinity. This is particularly evident when fragile families falter and are no longer able to look after children or other family dependents. Thus family life impacts on the way society as a whole functions, and the community at large in turn shapes the boundaries of family life.<sup>94</sup> One of the tasks of society is to compensate where families fail.

In the future, the way people's close ties develop will affect not only social cohesion in everyday life, but also be of relevance to individual wellbeing, physical health and survival. Social isolation can be as great a health hazard as well-known risk factors such as smoking and alcohol abuse, and more dangerous than things like obesity and sedentary behaviour.<sup>95</sup> When people have links to a group and feel a responsibility towards others, they acquire a sense of purpose and meaning, which in turn causes them to take better care of themselves and to take fewer risks.<sup>96</sup> A Swedish example of the health-giving effect of close relationships is that ninety-year-olds with many friends are less prone to mental ill-health.<sup>97</sup> Not least important are good, lasting relationships within the family.

With the future in mind, therefore, it is important to ensure that close ties both within the family and within one's circle of friends develop favourably. The fact that family life and social life are under growing pressure – from things like increased stress in

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<sup>92</sup> Levay, 2013.

<sup>93</sup> Briar-Lawson et al., 2001, p. 3.

<sup>94</sup> Briar-Lawson et al., 2001, pp. 1–19

<sup>95</sup> Holt-Lunstad et al., 2010.

<sup>96</sup> CBC News, 2010.

<sup>97</sup> Edling & Rydgren, 2012.

working life, growing demands for flexibility and availability, and increased commuting – is a challenge for the future. Since the parents of young children are the ones who are experiencing the greatest pressure in this respect, who have increased their working hours most in recent decades and who are the most frequent long-distance commuters, they have less time to develop relationships with their children. Other factors affecting – and affected by – close relationships are economic and social deprivation.

A future challenge will be to ensure that parents in various types of families are able to maintain good relations with their children and that they are also able to maintain good relations with each other – even after a separation. This is important not least because good, lasting family ties are affected by – and in turn affect – differences in education and financial status.

### **Social cohesion and sustainability**

As has been discussed in this chapter, people's sense of belonging to a community that transcends whatever differences there may be is crucial to a cohesive society, by which is meant a society in which people trust one another, in which both the distance and the conflicts between groups are seen as only minor, in which tolerance of dissimilarities is high, and in which there is a strong sense of participation, of a shared identity and of a shared destiny. Social cohesion is in turn crucial to the proper working of society.

A particular difficulty when analysing future challenges to social cohesion, however, is that both objective conditions and subjective experiences and perceptions matter, while different countries at the same time have adopted different approaches to social cohesion. Another difficulty is the need to strike a balance between social cohesion, individual freedom and pluralism. People have an intrinsic need both to belong to a larger whole and to go their own way.<sup>98</sup> Too little cohesion may cause divisions in society, while too much may be experienced as conformist and suffocating.

Different societies find different ways of balancing these opposing forces and needs. Also, patterns change over time. It is perfectly possible, therefore, that those factors which are of the greatest relevance to social cohesion in Sweden today may not be

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<sup>98</sup> Trägårdh & Berggren, 2006.

the same in future years. While objective conditions and differences between groups are of importance, the same is true of subjective experiences and perceptions; but both individually and over time, people may have different opinions as to which differences impact most on their sense of belonging to the same community.

As this chapter has shown, social cohesion in Sweden is currently strong. There are numerous challenges ahead, however, associated with exclusion, lack of contact and in some cases growing differences between groups. Furthermore, many of the symbols, institutions and experiences that help to forge common frames of reference out of different parts of society have changed character or weakened. While social cohesion is strong overall, there are groups that feel excluded or threatened by the direction in which society is moving, and which distrust public institutions of various kinds. This may become a major challenge to social cohesion in the future, especially if people do not feel they can influence their own situation.

A vital task is thus finding ways of meeting these future challenges to social cohesion.

“I’m willing to do my bit for Ronneby if Ronneby is willing to do its bit for me.”

Sarah Pedersen, Ronneby



# 9

## Future challenges facing Sweden





## 9 Future challenges facing Sweden

“Sandviken should also encourage people to aim higher in pursuit of their dreams. For nothing’s impossible if you just want it enough, and as I see it people are ashamed of their loftier dreams or don’t want to make them known, so they lose hope.”

Erik Sund, Sandviken, from the Future Sweden project

### Introduction

Over the past couple of centuries, Sweden has gone from being a poor country to being one of the richest and most developed countries in the world. In many international rankings, Sweden emerges as a global leader. And in a part of the world that has recently experienced considerable economic and political turbulence, apprehension and stagnation, Sweden and the Nordic countries stand out as an example to others.

Sometimes, Sweden’s image is that of *landet lagom*, the country that chooses the middle way – not too much and not too little. But international value surveys, for instance, have shown that in fact Sweden differs from other countries in important respects. The extent to which Sweden’s successes are due to its differences is an open question, but if we are to grasp where we stand in the world today and what the future holds for us, we must look not only at our strengths and our weaknesses but also at our similarities and dissimilarities in comparison with other countries.

While there is much to be proud of, there is also reason to be humble. Sweden’s successes are in part due to the fact that we have escaped wars, major social upheavals and severe natural disasters, and in part to a number of fortunate circumstances. However, many problems and shortcomings remain that we have yet to correct. Despite its wealth, Sweden is not a fully integrated society and many of its inhabitants live in scarcity and social exclusion.

Nor is the perceived wellbeing of children always on a par with their material standard. The problems sometimes endure because of political differences, sometimes because there are no simple or self-evident ways of solving them, and sometimes because it is difficult to balance opposing interests.

Nor is success in the past any guarantee of success in the future. We live in a turbulent world in which borders are becoming less important, in which countries are becoming steadily more interdependent, in which the speed of change is perhaps more rapid than ever before, in which the ever-increasing flow of information is making it increasingly difficult to determine what is most relevant and thus needs to be given priority, and in which global competition is tougher than ever.

Taken as a whole, this means we do not know how robust Sweden's successes will be in the long term. There is always a risk that demands for immediate action will result in too much attention being focused on those problems considered the most pressing, at the expense of closer analyses of and discussions about where we stand today, where we are going and what underlying processes may prove important in the future. There is a risk that the practical problems of the day will be allowed to overshadow the long-term processes and that the present will be allowed to overshadow the future in a way that will leave us less well equipped to deal with the challenges ahead.

It was in the light of this situation that the Government appointed the Commission on the Future of Sweden in the autumn of 2011 to identify the social challenges that the country is likely to face in coming decades. Work has focused mainly on four areas: demographic development; sustainable growth; integration, gender equality, democracy and participation; and social justice and cohesion. Special interim reports on each of these areas have been prepared and presented. The purpose of this final report has been to describe some of the most important challenges that Sweden may be expected to face in the future.

The fact that the Commission has focused on these particular areas should not be taken to mean that they are the only ones where Sweden is likely to face challenges, nor that other areas are less important. Not least in the course of our work, we have met people with differing perspectives and have had the opportunity to discuss important challenges that Sweden faces in other areas as



well. However, no study can cover all areas. Delimitation is unavoidable.

The task of the Commission has been to identify future challenges, with 2020 and 2050 as reference points. It has not been to focus on current challenges. Nor has the Commission been asked to make recommendations as to how future challenges are to be met. The present report, therefore, deals neither with topical policy issues nor solutions. It focuses on the future and on what challenges Sweden will face in the decades ahead.

By identifying some of these long-term challenges here and now, we hope to contribute to a more forward-looking debate on how they are to be met and thereby to enable policymakers to reach decisions at an early stage that will leave us better equipped to face the future.

### **The challenges of sustainable growth**

One of the most important long-term tasks for the future is the achievement of an ecologically sustainable development. The challenges and threats from depleted ecosystems are substantial ones. There is a risk that rising global mean temperatures will lead to new precipitation patterns, continued melting of Arctic ice and land-based glaciers, higher sea levels, more natural disasters and further losses of biological diversity. In combination with a growing world population, this will generate challenges relating to both food supply and access to clean water, basic sanitation and energy. The growing demand for finite resources risks leading to increased levels of conflict and greater instability in various parts of the world.

Those who risk being worst affected by a degraded environment and shortages of food and clean water, and by competition over other important natural resources, are the populations of those countries that are already the poorest and most unstable. The changed habitats that result from natural disasters and ecosystem degradation may also lead to major population displacement, not least in areas prone to rising sea levels and flooding. Sweden, too, may be affected by for instance the risk of additional natural disasters, higher sea levels in southern parts of the country in particular, altered growing conditions and reduced biological diversity. The signs are that the world is moving towards a future

in which the global mean temperature will be at least 2° higher than in pre-industrial times. One of the most important tasks for the future, therefore, is to learn more and spread awareness about how this will affect Sweden and the world, and about the ways in which Sweden as a nation, its business community and its citizens will need to adapt to a warmer climate. We need to reduce negative environmental impact and we will also need to adapt to the changes that will come about in the future as a result of emissions already released and of weakened ecosystems.

If Sweden were to act unilaterally and introduce much stricter environmental requirements, this would however reduce prosperity and cause operations that are impacting negatively on the environment to move abroad to countries where the requirements are less stringent. This would not create a better global environment.

The overarching task, therefore, is to find ways of achieving development and growth that is both ecologically and economically sustainable, and to do so in such a way that we confront local and national environmental problems, and at the same time help to improve the global environment. This reflects the core aim of Sweden's environmental policy objective: to hand over to the next generation a society in which the major environmental problems have been solved, without increasing environmental and health problems outside Sweden's borders.

A special challenge in this context involves reaching the requisite decisions at international level and taking action to achieve such a development. Often, the problems are global but the decision-making is national. This can hamper global efforts to achieve sustainable development, although at the same time globalisation affords opportunities for spreading sustainable environment policies to other parts of the world.

An important question in this context is how Sweden can best contribute to a global shift towards greater ecological sustainability. Sweden has managed better than many other countries to combine ecological and economic sustainability, and to push for vigorous, internationally binding agreements. Meanwhile, a world-class business climate and a leading position in the fields of research and development will be required if we wish to ensure that Sweden and Swedish companies remain competitive, contribute to new solutions and respond appropriately to environmental and climate challenges.

A particular challenge is to find better ways of evaluating and managing our natural capital and the ecosystem services that we depend on. Things that are considered free are often over-consumed, particularly natural resources of various kinds.

An important reason for this over-consumption is that the value of natural assets is not made clear enough. It is vital that people use the earth's resources in a manner that does not risk depleting ecosystems and reducing social welfare. Including the cost of negative environmental impact in the prices of goods and services would better reflect the total cost to society. Often this is also the most effective means of providing companies and individuals with the incentive to act rationally both ecologically and economically, in both the short and the long term.

The challenge here is at least two-fold. In part, it is about finding better ways of measuring and evaluating natural capital and ecosystem services and of finding measures or indicators that take better account both of how much natural capital is consumed and the environmental costs incurred, and which may either complement or be integrated into traditional GDP. Secondly, it is about developing cooperation between countries and with various actors in Sweden itself. Cooperation between countries is needed both in order to achieve more forceful results and so as to avoid a situation in which environmentally harmful operations move to countries with less strict requirements. Cooperation with actors in Sweden is needed both as a means of encouraging active participation and because all parties need to be involved if change is to be successfully achieved. The EU has played a major part in the first regard. But cooperation on environmental issues at global level remains weak.

Each country has a responsibility to solve its domestic environmental problems and to contribute constructively to the search for international solutions. The problems are considerable, but they also open up new opportunities for nations, companies and private individuals alike. More effective use of resources yields both ecological and economic benefits.

It is important to remember, however, that lack of economic growth cannot save the environment – it is one of the prime reasons why many countries cannot afford to invest in environmental protection. There is a correlation between ecologically sustainable and economically sustainable development. Sustainable

development presupposes a market economy, but also human rights and democracy.

An important task in this context concerns how Sweden is to take advantage of the transition to a sustainable society. Ecologically sustainable development must go hand-in-hand with economically sustainable development. The goal is sustainable growth and development of a green economy – an economy that can continue to generate resources that enhance economic welfare and human wellbeing while at the same time reducing the environmental risks and the consumption of natural capital and finite natural resources.

### **The challenges of demographic development**

One of the truly great successes of the 20th century is that we are now living and staying healthy longer. This has created new opportunities for people to develop, work, realise their dreams, be with their loved ones and see their children and grandchildren grow up and advance in life. As prosperity has grown, the struggle for survival has in more and more countries been superseded by an aspiration to grow and develop and realise one's dreams. Most studies suggest that life expectancy will continue to increase in coming decades. According to some forecasts, about half of those born today in countries like Sweden may even be expected to live to be 100.

However, the fact that we are living ever-longer entails new challenges, not least in terms of the sustainability of welfare systems and welfare financing. In part, the challenge concerns the declining share of people traditionally regarded as being of working-age. This means that fewer and fewer people will have to support an increasing percentage of the population.

The demographic challenge is further exacerbated by the fact that young people are now entering the labour market later than in previous decades, partly but not only because growing numbers are engaging in further studies. The 20–65 year age group is still defined as the working-age population, but in practice the age for labour market entry has risen to 29 in recent decades. Assuming that there is no change in the age for labour market entry and the retirement age, while at the same time average life expectancy rises to 85–90, this would mean that we are moving towards a future in

which we devote about a third of our lives to growing up and getting an education, a third to being employed and working, and a third to the retirement period.

The prospect of a declining share of the population in gainful employment represents a growing challenge in terms of welfare financing. This is especially true if future cost increases for welfare services were to continue the trends of the past few decades. Several studies indicate that we will be able to meet those costs increases that derive specifically from demographic change. The challenge instead will be to continue raising the standard of welfare services. Various forecasts show that the future gap between costs and revenues, if we are to continue raising the standard of Swedish welfare, may widen by anything between nought and SEK 200 billion – or even more.

Our ageing population also means that costs for elderly care and healthcare can be expected to rise, especially since new technology in the healthcare sector tends to be cost-inflating. Many older people are increasingly healthy nowadays, but some will of course suffer age-related diseases of various kinds and the number of elderly with multiple illnesses may rise.

The demographic trend also presents major challenges in terms of future skills provision. Over the next few decades, a substantial wave of retirements is due, and this means not only that important skills and important experience will disappear from the labour market but also that more people will have to be recruited to the public sector, especially to the healthcare and elderly care services, where labour needs are expected to increase. The private sector may also find it difficult to recruit labour with the necessary skills. Moreover, growing competition for labour is likely to cause bottlenecks in the economy and to push up wages, which might further jeopardise the sustainability of welfare financing.

Added to this is the fact that it is usually more difficult to boost productivity in the service sector than in the manufacturing sector. This means that the costs of services rise in relation to the costs of goods, which represents a particular challenge in the case of services that are financed via taxes and where the increased relative costs cannot be offset by price increases. When this coincides with a growing demand for welfare services and a growing dependency burden, welfare financing will come under severe pressure.

Meanwhile, as the population grows older and fewer and fewer support steadily increasing numbers, urbanisation is expected to

continue. An increasing share of the population now lives in metropolitan areas, suburban municipalities and larger towns. A declining share lives in small towns and rural areas. The differences between more urban and metropolitan and more rural areas tend to grow, not only in terms of population size but also in terms of educational levels and tax capacity. Even if urbanisation should slow, there would still be growing pressure on many smaller municipalities, particularly in sparsely populated areas. This is perhaps most clearly evident in the forecast dependency quota for the coming decades. Today, the quota is already higher in rural municipalities and smaller towns than in larger towns and suburban municipalities. According to one study, by 2050 the proportion of municipalities with a dependency quota above 1 will have risen from 1 to 41 per cent, and it will be the smaller municipalities and various rural municipalities that will experience this increase.

Today, Sweden has a tax equalisation system designed to even out structural cost discrepancies and differences in tax capacity between municipalities. However, the demographic trend and further urbanisation will present new challenges to the system's sustainability. Prospects, conditions and challenges will increasingly differ between municipalities of differing types and sizes, and there is a risk that this will put a strain on their ability to understand one another's differing situations. Given such a development, fresh questions are likely to be asked about the potential for nationwide growth and about the principle of equal access to important community services throughout the country.

In this context, a particular challenge will concern skills provision in many smaller towns and municipalities. These will not only have to meet a growing need for elderly care and healthcare as the proportion of older people grows, but will also encounter growing difficulties in recruiting competent staff if many young people and well-educated residents choose to leave. Many municipalities will face a major challenge in ensuring that they have enough competent staff to fill welfare service jobs.

According to one assessment, if the future dependency quota is to remain at roughly the same level as today, the number of gainfully employed would have to rise by about 600 000. In this context, an extension of working life as a result of greater numbers of older people working longer is the factor that would have the greatest impact. Making it possible for this to happen is therefore an important task in itself. Boosting the activity rate among

foreign-born persons would also have a substantial impact – which brings us to the future challenges with respect to migration and integration.

## The challenges of migration and integration

Ever since the beginning of time, people have moved between regions and between different parts of the world. Migration is an integral part of human existence and it is only over the past hundred years that countries around the world have sought to regulate it. At certain times in its history, Sweden has been primarily an emigration country, but in recent decades it has become a country of immigration. Today, the proportion of those born abroad, or who have one or two parents born abroad, make up about 26 per cent of the Swedish population. The proportion born abroad total 15 per cent, and the figure is expected to rise to 18 per cent over the coming decades.

Research shows that migration helps improve matters not only for the migrants themselves but also for their countries of origin and for the countries they move to. Economically, socially and culturally, migration to Sweden has helped the country to become a better place in many respects, and there is nothing to suggest that this will be any different in future.

The challenge, therefore, lies not in the fact that migrants move to Sweden, for whatever reason. Rather, it has to do with integration, particularly in the labour market. The better integration works, the better it is both for the migrants themselves and for Sweden. More effective integration would also be a significant aid in dealing with the demographic challenges.

The foremost challenge as regards labour market integration is that all too often it takes a long time for foreign-born persons to find employment; this is particularly true of women who come to Sweden as family members or as refugees. Another group that is finding it difficult to gain a foothold in the labour market is the low educated. Employment is also lower among high-educated, foreign-born persons than among high-educated, native-born persons.

Meanwhile, forecasts indicate that it will probably be more difficult to attract labour migrants in the future, since the demo-

graphic trends increasingly apparent in other countries will boost demand and competition for attractive labour.

This will create further challenges for labour market integration. One of these – which is already with us – concerns the need to shorten the time it takes for immigrants to find employment. The impression is sometimes given that many who migrate to Sweden never find a job, but sooner or later almost all those who come to work or study enter employment, while about 90 per cent of those who come as family members or refugees do so. The problem is that this process all too often takes too long. The pre-entry period – which in many respects matches the time it takes for young native-born persons to become established in the labour market – is too long.

A further challenge concerns what can be done to lower the labour market entry thresholds for those who lack a higher education. This may well become a growing challenge as the demand for knowledge and skills increases in working life, if the proportion of low-educated immigrants rises. This challenge concerns not only low-educated immigrants but also native-born persons who have a weaker foothold in the labour market and lack a higher education.

While the employment figures for Swedish women are generally among the highest in the world, employment among female immigrants is lower than the rate for both native-born women and male immigrants. Breaking this pattern is an important challenge both for integration and for gender equality.

However, research also shows that employment is lower among high-educated immigrants than among high-educated, native-born persons, and that foreign-born persons are over-qualified for their jobs more often than Swedes. Thus a further task is to improve matching and to turn the skills of foreign-born persons to better account.

In this context, discrimination is a problem and a challenge. While the lower rate of unemployment among people with foreign backgrounds may have many causes, discrimination is without doubt one important explanation. Reducing discrimination is essential, not only because society, employers and private individuals would benefit if the skills of all were better utilised but also because discrimination on the grounds of ethnicity is a violation both of the law and of basic democratic values



We are already facing several of these challenges today, but some among them can be expected to grow or to change character while others may re-emerge in future. The situation of those who were born in Sweden but who have one or two parents born outside Europe is likely to be a growing challenge. Today, employment in this group is 15 to 20 percentage points lower than the rate among those with two parents born in Sweden, and this group is increasing in size.

Should there be an increase in the flow of immigrants lacking an education, this would also represent a growing challenge for Sweden – especially if the labour market thresholds remain as high as at present. One task that will become increasingly important in the future is the improvement of introductions to Swedish society and language instruction for immigrants. Similarly, opportunities for immigrants to raise their level of education or to validate their qualifications need to be improved.

Finally, an important challenge for the future concerns attitudes to people from other countries. Although we cannot know how people's opinions about and attitudes towards people from other countries will change in the future, there is much to suggest that attitudes have become more favourable in recent years. The more open and tolerant Sweden is, the more welcome immigrants will feel in this country and the sooner they are likely to be integrated.

The better integration works, the better chance we have of meeting the demographic challenges and of exploiting the human, economic, social and cultural potential that migration offers us. Better integration would also reduce the risk of exclusion and of frictions that might have an adverse effect on social cohesion.

## **Challenges for gender equality**

Sweden is a world leader in terms of gender equality, but it is still not a country in which women and men enjoy the same terms in working life. Major disparities in pay between the sexes still persist. Given that women work part-time to a greater extent, these differentials mean that on average women's lifetime pay and pensions are considerably lower than men's. There are two main reasons for this gender pay gap. To some extent, women and men work in different occupations, and male-dominated occupations tend to be better paid than female-dominated ones even when

workers have equivalent qualifications. Frequently, women do not reach or aspire to the top posts where pay is highest. If a better gender balance in lifetime incomes is to be achieved, women will have to continue applying for more senior posts in occupations of the more well-paid kind. Moreover, some occupations requiring longer training may need to be upgraded in pay terms, along with occupations in which women currently dominate.

The increase in women's employment has gone hand-in-hand with an increase in their incapacity rate and their rate of sickness absence. Since the early 1980s, the latter rate has been more pronounced among women than among men and the difference has been reflected in a trend increase. The same phenomenon can be found in other northern European countries. Over the past decade, important measures have been introduced in an effort to reduce sickness absence, and this has yielded results. Ensuring that women have the same opportunity to work for a living as men, without this being detrimental to their health, is a major challenge for the future in the quest for a better gender balance in working life.

Responsibility for children and the family is still competing with Swedish women's opportunities to pursue a career, to a greater extent than men's. The greatest gender differences in pay arise in conjunction with family formation. Pay and disposable incomes increase at the same rate for both sexes up to the age when the first child is usually born. Ensuring that women have the same chance as men to combine gainful employment with responsibility for the family and the home is a major task for the future.

Another is encouraging entrepreneurship among both women and men and providing the kinds of conditions that enable new companies to start and grow. Only 6 per cent of women in gainful employment operate their own business, compared with 15 per cent among men. Finding ways of helping more women entrepreneurs to maintain and expand their companies is an important task, both as a boost to the economy and as a means of strengthening women's financial self-sufficiency and influence in the business community.

As early as the mid-1980s, women in the working population overtook men in terms of educational qualifications. Since then, the gap has widened. Within the next 20 years, women will make up 60 per cent of all those in Sweden with university-level qualifications. Boys have long performed less well at compulsory school than girls, and considerably more boys than girls drop out

of upper-secondary school. The situation is particularly troubling in the case of boys with foreign backgrounds. There is a risk that the problems encountered by some boys and young men at school could create a growing group of men who are doubly excluded from society. Men who fail at school and are rejected in the labour market are in considerable danger of also being rejected when the time comes to form a family, and of encountering social problems. Finding effective ways of improving school performance and reducing the dropout rate from upper secondary school among those young people – mainly boys – who are least proficient, is therefore an important challenge for the future.

### **The challenges of social cohesion**

In recent decades, Sweden has undergone changes in most areas as a result of developments such as technological advances, globalisation and individualisation. Heterogeneity has increased, while at the same time many of the institutions, symbols and experiences that help establish common frames of reference have grown weaker or changed character. This has aroused fears that social cohesion may be in the process of being undermined.

Ultimately, social cohesion concerns the extent to which people develop a community spirit and trust one another, how great the perceived gaps and conflicts between groups are, how tolerant people are of dissimilarities in the population, and the extent to which people feel they belong and share a common destiny. It is also about the extent to which people experience a sense of solidarity and feel for the common good, and about how this is expressed. Both objective conditions and subjective experiences and perceptions are of considerable importance in this context. Although ultimately the most important factor is the extent to which people feel they belong to the same community despite all their differences, there is a risk that this perception would be weakened if the objective differences between groups were to grow.

Although Sweden in many respects has become increasingly heterogeneous in recent decades, analyses show that social cohesion in the country remains strong. Most people trust one another, relatively few feel excluded, many are actively involved in civil society, and tolerance of groups with a different cultural,

ethnic or religious background is relatively high. In general, only a limited number perceive severe tensions between groups.

One of the pillars of social cohesion in Sweden would seem to be the high level of gender equality in the country, which is underpinned by universal welfare systems that promote equal opportunity while creating the scope and potential for individual freedom. As long as Swedes feel secure, as the welfare systems deliver and as people enjoy freedom and the opportunity to try and realise their dreams, tolerance of dissimilarities and trust both in the systems and in other people is high.

However, there are warnings signs that could threaten social cohesion in Sweden in the future. One is the fact that a relatively large number perceive tensions between people from different national, cultural and ethnic backgrounds. There is little to suggest that the degree of ethnic or cultural diversity is in itself a problem for cohesion. Rather, the decisive factors would appear to be lack of contact and social exchange between people from different groups, language barriers, social deprivation and exclusion from the labour market.

A flourishing civil society is usually regarded both as a sign of high social cohesion and as an extremely important factor in contributing to it. Civil society plays a key part in bringing together and uniting not only people with similar backgrounds and interests but also people from different groups in the community. In many respects, Swedish civil society is in transition, and an important task for the future is likely to involve creating conditions that enable voluntary associations and others both to bind together small communities – based for instance on a given cultural, religious, geographical or other identity – and to build bridges between them. This is one way of tackling the lack of contact between groups that may otherwise increase.

Economic equality in Sweden is among the highest in the world, but external factors such as globalisation, technological advance, the shift to a more knowledge-intensive production process and the growing importance of capital incomes may lead to greater economic inequality.

If it is to hold together, society must ensure that people are given the incentive to work and study – and to make investments and start companies that can help boost employment – and that they are able to feel that each and every one in the population has the same chance to improve his or her situation in life.

In this perspective, boosting employment and reducing the thresholds for groups with the weakest foothold in the labour market is crucial. A high rate of social mobility is also of paramount importance. As in the past, the degree of social mobility in Sweden is high – higher than in many other countries – and this is a strength. It is important to ensure that also in the future, people do not remain in exclusion and that social mobility continues to be high.

Another future challenge for social cohesion stems from the transformation of the media environment. While the increased range of media offerings is positive in many ways and has helped to enhance diversity, there are a number of reasons why this development in the future risks weakening social cohesion. One reason is that fewer are now accessing the same media and roughly the same type of news, as a result of which the public space is increasingly fragmented and fewer share the same frames of reference. Another reason is that the gap is widening between those who consume a great deal of news about politics and society and those who do not. A third reason is that it has become easier for people to seek out sources of news that are driven by particular agendas and which confirm the opinions and perceptions of reality those people already hold. If changes in the media environment tend to increase differences in people's basic perceptions of reality, there is a risk that the democratic dialogue will be undermined and polarisation will increase.

Although social cohesion in Sweden is currently strong, there are groups who feel excluded and unjustly treated in one way or another. It is important to realise this, and reducing economic, social, cultural and political exclusion will continue to be an important challenge in the future. Ultimately, it is a question of social sustainability.

## **The democratic challenges**

It will soon be a hundred years since the introduction of universal and female suffrage in Sweden, and today Sweden is a stable democracy with a higher participation rate at elections than most other countries. Consequently, democracy might easily be taken for granted; indeed, it is difficult to see any immediate threats to

Swedish democratic governance either at the present time or in the foreseeable future.

However, democracy is not just about having certain institutions and procedures in place. The basic democratic institutions are an essential prerequisite of a properly functioning democracy, but they are not enough in themselves. If democracy is to thrive and be sustainable in the long term, both citizens and policymakers must live up to and respect certain norms. These norms are sometimes referred to as democratic values, which include respect for the inviolability of human dignity, freedoms and rights for all citizens and protection for minorities. Other important democratic values are a high degree of political equality, broad political participation, enlightened understanding and a high level of representativeness.

Swedish democracy is facing a number of future challenges. One of them concerns the fact that fewer are committing to the country's political parties. This means that the recruitment base for future political appointments is reduced while at the same time fewer acquire personal experience of party political work, with all this implies in terms of their ability to understand what policymaking involves. Active dialogue between elected representatives and citizens *between elections* vitalises democracy and gives people greater insight into political decision-making.

Another challenge stems from the fact that in 2011 about one elected representative in six experienced threats, violence or harassment. This may make future recruitment to elected posts more difficult. In addition, vigilance and active democracy-building efforts will be required to prevent violent extremism from becoming a threat to Swedish democracy in the future.

Another challenge concerns the increasing complexity of decision-making processes. This stems mainly from the fact that many of the problems and challenges facing Sweden cut across boundaries, whether at the local, regional or national level, or between Sweden and other parts of the world. At the same time, more rather than less cross-border cooperation will be needed to solve problems in the future. There is a risk that this will cause decision-making processes to become even more complex.

Although trust in politicians has increased slightly in recent years, while research has shown that election promises are usually

fulfilled<sup>1</sup>, this means that further democratic challenges may arise in the future. One such challenge concerns the fact that governance has become increasingly difficult. Another challenge of prime importance is that it has become less clear who is responsible for what, which means citizens are finding it harder to demand accountability at the right level. There is a danger that the two challenges combined will increase the risk of popular discontent and also increase the likelihood of populist movements seeking to exploit such discontent, not least by presenting deceptively simple solutions that pit groups against one another.

A further challenge concerns the relationship between changes in the media environment and the democratic norm of substantial equality in terms of both political participation and people's understanding and knowledge of politics and society. With the explosive development of the media, political interest has become an increasingly relevant explanation of the extent to which people follow news about politics and society. For those interested in politics and society, it has never been easier to find media that focus on such topics, and many have increased their news consumption as a result. For those who are not interested in politics and society, it has never been easier to avoid media that deal with such topics, and in fact increasing numbers seldom or never follow the news. At the same time there are correlations between media use and political participation. Consequently, there is a risk that increased differences in media use will lead to increasing knowledge gaps and participation gaps, as well as to fewer common frames of reference and greater differences in perceptions of reality.

Although voter turnout in Sweden tends to be high and therefore relatively equal, there are already perceptible differences in levels of participation at elections and even greater differences in political participation between elections. Generally speaking, it is those groups that in other respects have less access to resources – low-educated and low-paid – that participate less. This may sometimes be offset by a strong political interest, however, and both the political parties and civil society can help mobilise participation among groups that would otherwise take part to a lesser extent. Preserving or raising the level of political interest,

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<sup>1</sup> Naurin, 2011.

especially among groups that are resource-poor in other respects and participate less, will therefore be another important task.

An oft-repeated maxim is that democracy can never be taken for granted but must be relearned by each new generation. This is true. Today, democracy appears firmly rooted and robust. But it, too, faces important challenges for the future with respect to political equality, political participation, awareness about politics and society, and degree of representativeness. These and other challenges must be confronted if democracy is to be secured for new generations and be made more sustainable in the decades to come.

### **Future challenges – and future optimism**

Sweden stands strong – but also faces an array of challenges for the future. Besides those discussed in this report, there are important ones in other fields as well, and in all probability both new and renewed challenges will surface in the future. There are also a number of challenges that need to be confronted on an ongoing basis. Among these are globalisation and its consequences, keeping up with technological advances and ensuring that Sweden is at the cutting edge, safeguarding entrepreneurship and a favourable business climate so that Sweden and the Swedish business sector remain internationally competitive, strengthening education and research at all levels both to equip people with the best possible tools going into the future and enable Sweden to compete internationally, ensuring that Sweden becomes an even more innovative country, and keeping track of the political and security policy changes and shifts that take place in our immediate vicinity, in Europe and at global level. These are just a few examples among many. The common denominator here is that reality is in flux, that we can never separate Sweden and Swedish development from development in other countries, and that policymaking therefore needs to constantly move forward.

While we face many tough challenges in the future, there are ample grounds for optimism. This is not only because Sweden is in a strong position at present. It is also because Sweden has a number of distinguishing features that we do not always regard as national assets, but which in fact are precisely that. They include the Swedish model's tendency to seek cooperation, and a political



culture in which fact-based argument carries considerable weight in the debate. They include the fact that to a great extent we assume collective responsibility for welfare and for giving people the same opportunities in life, while still preserving a considerable degree of individual freedom. They include a widespread sense of solidarity and feel for the common good and a high degree of social trust. They include the fact that our society believes in and strives to achieve equality and solidarity with the deprived, and that many are prepared to act to change society to the better. They include the fact that we have been more successful than many others in combining ecological sustainability with economic growth and in combining a highly developed welfare society with a vibrant business climate and a strong, flourishing civil society. They include the fact that we are a country distinguished by diversity and openness to outside influences, new technology and new innovations. Finally, they include the fact that we are a country with efficient institutions and a very low level of corruption. All this and much else help to increase the sustainability of Swedish society.

Not least among our natural assets is the fact that we have a well-educated population rich in trust, tolerance and openness. Preserving and fostering trust, creativity, tolerance and openness are an important task in itself. These are qualities that will be as important tomorrow as they are today but which also allow us to be optimistic about our chances of meeting the challenges that lie ahead.

“Right now, I’ve no idea what my future will look like, and I’m rather enjoying that.”

Lydia Davidsson, Mora, from the Future Sweden project



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# Presentation of the Commission on the Future of Sweden







# Presentation of the Commission on the Future of Sweden

The Commission on the Future of Sweden was appointed by the Government in November 2011 for the purpose of identifying important challenges that Sweden can be expected to face in the long term. Prime Minister Fredrik Reinfeldt chaired the Commission, and Professor Jesper Strömbäck was the Principal Secretary and Administrative Director. The members of the Commission were:

- \* Jan Björklund, Minister for Education and Deputy Prime Minister
- \* Göran Hägglund, Minister for Health and Social Affairs
- \* Annie Lööf, Minister for Enterprise
- \* Viveca Ax:son Johnson, Chair of the Board of Directors, Nordstjernan
- \* Klas Eklund, Senior Economist at SEB and Adjunct Professor
- \* Helena Jonsson, Chair of the Federation of Swedish Farmers (LRF)
- \* Eva Nordmark, Chair of the Confederation of Professional Employees (TCO)
- \* Mernosh Saatchi, CEO, Humblestorm
- \* Johan Rockström, Executive Director and Professor of Natural Resource Management
- \* Lars Trägårdh, Professor of History
- \* Pekka Mellergård, Vice-Chancellor and Associate Professor of Neurosurgery
- \* Stina Westerberg, Director-General, Music Development and Heritage Sweden

In seeking to identify the challenges that Sweden faces in the future, the Commission held eight internal sessions, arranged 40 open meetings, seminars and workshops in various parts of the country, published 12 background reports and an edited book, and produced four interim reports (see below). In addition, the members of the Commission and its Secretariat took part in numerous other seminars and meetings with public authorities, organisations, companies and individual researchers. As part of a special sub-project, Future Sweden, the Commission invited all municipalities and county councils plus a selection of upper secondary school classes around the country to send in their thoughts and visions about the future, and these were published on the website [framtidenssverige.se](http://framtidenssverige.se). The Commission also engaged in a special blog relay, opened its website to guest writers and contributed actively to a selection of social media. The aim of all this was to make the process as open and inviting as possible and to help bring about a more forward-looking debate nationwide.

#### *Interim reports*

As part of the Commission's work, four special inquiries were conducted and their reports published, focusing on (1) demographic trends, (2) integration, gender equality, democracy and participation, (3) sustainable growth in the age of globalisation, and (4) social justice and cohesion. The reports were:

Hojem, Petter (2013). *På vägen till en grönare framtid – utmaningar och möjligheter*. DS 2013:1. Stockholm: Fritzes.

Joyce, Patrick (2013). *Delaktighet i framtiden – utmaningar för jämställdhet, demokrati och integration*. DS 2013:2. Stockholm: Fritzes.

Levay, Charlotta (2013). *Framtida utmaningar för sammanhållning och rättvisa*. DS 2013:3. Stockholm: Fritzes.

Blix, Mårten (2013). *Framtidens välfärd och den åldrande befolkningen*. DS 2013:8. Stockholm: Fritzes.

*Background reports*

To provide supporting material for the Commission's four interim reports and its final report, and to help promote a more future-oriented debate, twelve background reports were commissioned and published. These were:

Bergquist, Eva (2012). *Är framtiden kulturens re-renässans?* Underlagsrapport 1 till Framtidskommissionen. Stockholm: Fritzes.

Carlsson, Benny, Magnusson, Karin & Rönnqvist, Sofia (2012). *Somalier på arbetsmarknaden – har Sverige något att lära?* Underlagsrapport 2 till Framtidskommissionen. Stockholm: Fritzes.

Harding, Tobias (2012). *Framtidens civilsambälle*. Underlagsrapport 3 till Framtidskommissionen. Stockholm: Fritzes.

Fors, Filip (2012). *Nya mått på välfärd och livskvalitet i samhället*. Underlagsrapport 4 till Framtidskommissionen. Stockholm: Fritzes.

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*The Commission Secretariat*

The Secretariat comprised the following members during all or part of the Commission's work: Jesper Strömbäck, Administrative Director and Principal Secretary, Mårten Blix, Petter Hojem, Patrick Joyce and Charlotta Levay, Special Advisers with responsibility for the various interim reports, Inga-Lill Åberg, Project Officer and Administrator, Tobias Nilsson, Communication Officer, Khadija Morabet and Sanna Nilsson, Administrative Assistants, Karin Ewelönn, Research Assistant, and Åsa Ström Hildestrand, Project Manager.

# Future Challenges for Sweden

## FINAL REPORT OF THE COMMISSION ON THE FUTURE OF SWEDEN

Over the past couple of centuries, Sweden has gone from being a poor country to being one of the richest and most highly developed countries in the world. But success in the past is no guarantee of success in the future. Sweden and the world are constantly changing, while global competition in many areas is extremely fierce. If Sweden is to maintain its successful record in the future and become an even better country to live in, much effort will be required – not least as regards analysing social change and the challenges and opportunities it presents. With this in mind, the Government appointed the Commission on the Future of Sweden in the autumn of 2011.

The aim has been to identify and discuss what changes Sweden faces in the long term. This final report gives a broad account of the various challenges that Sweden will encounter in the coming decades, particularly those relating to sustainable growth, demographic trends, labour market integration, democracy, gender equality and social cohesion.