The social and employment situation in Sweden

KEY FINDINGS

• The labour market in Sweden is performing well. In 2016 Sweden had the highest overall employment rate (81.2%) in the EU as well as below the EU average (8.5%) unemployment rate (6.9%).

• However low-educated and low-skilled young people and people with a migrant background face relatively high unemployment. This challenge is likely to remain in the coming years also in light of the large number of refugees arriving in Sweden.

• Sweden has established well-functioning system of social dialogue in which partners play a central role. The system showed strong resilience during the financial crisis and is also seen as having contributed to Sweden’s rapid recovery.

• Out of all European countries, Sweden has the highest proportion of refugees in its overall population, which is currently estimated at 9.9 million.

• “The Nordic Model” has reached a point of saturation because number of refugees continues to increase.

1. RECENT TRENDS IN EMPLOYMENT AND SOCIAL AFFAIRS

Background

Sweden's economic growth has accelerated since 2012 and is expected to remain robust in the coming years. Real GDP expanded by 4.1% in 2015 and by 3.3% in 2016, making it one of the fastest growing economies in the EU. While still robust, growth is forecasted to slow down gradually. In 2017 and 2018 real GDP is expected to decrease to around 2%. The main factors driving the economic activity were domestic demand, expansionary monetary policy, additional public spending to cope with the influx of asylum seekers and strong household income.1

Although Sweden's economy is projected to grow faster than its long term average in the coming years, per capita GDP growth remains below its long term average in the context of a dynamically growing population. Between 1995 and 2005 the country's population rose on average at an annual rate of 0.2%. It has gone up to 0.8% in the last decade and is projected to rise to more than 2% from 2017.
The rapid population expansion since 2011 is mainly due to a strong increase in the number of migrants. More than 80 000 refugees were registered in Sweden in 2014 (roughly 0.8% of the total population) and almost 163 000 persons in 2015 (equivalent to almost 1.7% of the total population). After Germany, Sweden takes the most refugees in the EU in absolute terms, and Sweden is the first Member State in terms of proportion of its resident population.

Labour market

The labour market in Sweden is performing well. Employment recovered quickly following the financial crisis and has been expanding at a strong pace. Employment growth reflects the relative strength of the economic recovery and buoyant labour supply. This rise has been driven primarily by services and the public sectors, while the manufacturing and energy sectors decreased the number of employed people. Due to the large inflow of refugees, public sector employment is increasing further as both municipalities and government agencies need to employ more people to deal with the reception of refugees.

The Swedish labour market has shown resilience during the financial crisis. Although the return of GDP growth in 2013 helped employment to increase further, certain segments of the labour force have difficulties entering the market and struggle to secure a job that corresponds to their qualifications and skills. A major challenge remains the integration of people with a migrant background, including those with relatively weak education and skill levels.

In 2016 Sweden had the highest annual employment rate in the EU (81.2%) and overall unemployment was below the EU average (8.5%) at 6.9% (see fig. 1 and 2). While employment growth has been high in recent years, the labour force has also increased, thus slowing the decrease in unemployment. The unemployment in Sweden continues to decline - a trend that has lasted over a few years. The Swedish Public Employment Service statistics show an unemployment rate of 7.8% in December 2016, down 0.2% in one year.

Figure 1: Employment rate in Sweden in comparison to the EU (as %, in 2016)
Youth unemployment

The youth unemployment rate of Sweden (18.9%) in 2016 is close to the EU average (18.7%), but it is two and a half times higher than the adult unemployment rate (see fig. 3). Some groups are particularly affected: the unemployment rate among non-EU born young people was 41.7% in 2014, 15 percentage points above its 2008 level, in contrast to the unemployment rate of Sweden-born young people (20.6%, just one percentage point above its level in 2008).²

Youth unemployment rate measures young unemployed people in comparison to the labour force. High youth unemployment rates do reflect the difficulties faced by young people in finding jobs. However, it does not directly mean that the group of unemployed persons aged 15 - 24 is large, as many young people are studying full-time and are therefore neither working nor looking for a job (so they are not part of the labour force which is used as the denominator for calculating the unemployment rate). For this reason, youth unemployment ratios are also calculated, according to a somewhat different concept: the unemployment ratio calculates the share of unemployed for the whole population.³

Figure 3: Youth unemployment rate in Sweden in comparison to the EU (as %, in 2016).
Approximately one out of ten young people in Sweden was unemployed in 2016 (see fig. 4; youth unemployment ratio 10.4%) with only five other Member States (Finland, Cyprus, Croatia, Greece and Spain) holding higher ratios than Sweden. Over the last years the, although youth unemployment in Sweden followed the EU overall trend, it remained well above it.

**Figure 4: Youth unemployment ratio EU (as %, in 2016)**

Source: Eurostat, own calculation

**Long-term unemployment**

Between 2006 and 2016, the long-term unemployment rate (estimated as a percentage from the active population) in Sweden increased from 1.0% to 1.3%, after reaching its lowest at 0.8% in 2007 and 2008. The 2016 long-term unemployment rate in Sweden was the lowest estimated in the EU, and it is approximately one third of the EU average (4%).

**Figure 5: Long-term unemployment rate (2016 annual average) in the EU (as %).**

Source: Eurostat, own calculation

Although Sweden is a top performer in the EU in terms of employment and long-term unemployment rates challenges remain, in particular as regards integrating low-skilled people and non-EU migrants into the labour market and reducing the employment gap for non-EU-born women.

**Overview of social security and pension system**

The general **social security system in Sweden** comprises the following branches: health insurance; benefits in respect of accidents at work and occupational diseases; invalidity benefits; old-age and survivors’ pensions; unemployment insurance and family benefits and parental insurance.4
Under the Social Insurance Code, which entered into force on 1 January 2011, social insurance is divided into a residence-based insurance providing guaranteed amounts and benefits and a work-related insurance against loss of income. Both categories apply equally to everyone who is resident or working in Sweden. Swedish citizenship is no longer one of the conditions of the insurance.

The social system is financed from taxation and earnings-related contributions. Employers’ contributions amounting to about one third of the wage bill cover most of the cost. Self-employed persons also pay insurance contributions of approximately 30% of their income. In addition, insured persons’ contributions have been introduced to finance part of the old-age pension scheme. Contributions cover around 60% of all insurance expenditure. The rest is financed by yield from funds and by taxes via the state budget.

The Swedish pension system consists of public pensions, quasi-mandatory occupational pension plans and private individual pension plans. The mandatory public earnings-related pension includes both a notional defined contribution scheme, financed on a pay-as-you-go basis and a funded defined-contribution scheme. There is also a residence based guaranteed pension benefit that ensures a minimum level of income for individuals with low earnings-related pensions. Furthermore, the elderly with low pensions and high housing cost can qualify for the housing supplement. Elderly with low or no pension income due to few years of residency can claim income support which provides an effective safety net. Quasi-mandatory occupational pension plans negotiated by the social partners in collective agreements cover around 90% of workers. In addition, individuals can save in private individual pension plans. Occupational pensions can often be withdrawn from the age of 55 and public pensions from 61, while the old-age safety nets are available from 65. Employees have the legal right to remain employed until the age of 67 and it is possible to combine work and pension receipt.5

Recent reforms include a gradual phase-out of all tax deductions for private personal pension plans by 2016. However, tax deduction will still be possible for self-employed workers and workers not enrolled in occupational pension systems. Moreover, from 2017, changes in the balancing mechanism will smooth the needed adjustments by dampening the volatility of pension benefits while extending the adjustment period. Beyond this, although there have been several government initiatives and Commissions in the last couple of years, the legislative action has been limited.

2. OVERVIEW ON SOCIAL POLICIES

Social partners
Sweden has established a well-functioning system of social dialogue in which partners play a central role at industry and company level. The system proved resilient during the crisis and is considered to having contributed to swift Sweden’s recovery, in particular to a more balanced distribution of the cost of the crisis. During the 2006 Centre Right government there was a fall in union density and membership numbers. The reforms of the 2014 Social-Democratic Green coalition are bringing back the previous coverage of the system.6

In the Swedish Labour market there are three central trade union confederations: the Swedish Trade Union Confederation, the Swedish Confederation for Professional Employees and the Swedish Confederation of Professional Associations.7

There is a clear division of competence between trade unions, therefore it is rarely questioned what trade union is representative and has the right to sign a collective agreement. Employers in the private sector are represented by the Confederation of Swedish
Enterprise, local municipalities - by the Swedish Association of Local Authorities and Regions, and state employers - by the Swedish Agency for Government Employers.

**Collective agreements play an important role in fostering stable and long-term relations in the labour market.** The content of individual labour contracts is to a high extent established in collective agreements. There is no statutory minimum wage in Sweden, instead the companies sign agreements with the unions and these agreements set the minimum level depending on the employee’s age and experience. Collective agreements and individual contracts define how much a worker receives for the work performed. In the absence of a collective agreement, an employer can pay as low a salary as possible, as long as the employee accepts it. Some labour legislation is semi-discretionary, which means that labour legislation can be derogated from by a collective agreement but not by a personal contract between the employer and the worker. The absence of legal provisions restricting the organisations’ activities ensures a considerable degree of autonomy for the social partners to conclude collective agreements.

The collective agreement model is based on strong trade unions and employers’ organisations that enjoy high membership rate. Typically about 90% of the workers in Sweden are protected by collective agreements and 70% of all workers are members of a trade union.

**Legislation and policy measures aiming at reducing youth unemployment and long-term unemployment**

The organisation model, service provision and active labour market policies of the Swedish Public Employment Service are presented in a report. There are two large umbrella programmes to tackle unemployment:

- The Youth Job Programme (for unemployed young people)
- The Job and Development Programme (for long-term unemployed people)

In 2007 Sweden launched a Youth Job Programme (also known as the Youth Guarantee Programme) that targets unemployed young people aged 16-24. The programme consists of several types of activities, such as in-depth assessment, counselling guidance and intensified job coaching, complemented with work experience and training. It aims at providing targeted individual measures and activities to the participants to help them find a job or return to education as soon as possible. It is adapted to the participants’ individual needs, their access to employers and the local labour market situation. According to the Youth Job Programme after three months, young people have the right to receive additional help to find employment. This includes mapping of their skills and background, and receiving study or career guidance. After another three months, they have the right to do some job training through, for instance, an internship.

In 2014 the Swedish government has appointed a special body - the Delegation for young people to work to promote the state and municipal cooperation and the development of new forms of collaboration for young people. The Delegation arranges state grants to municipalities to promote local agreements to reduce youth unemployment. The vast majority of the municipalities has signed agreements with the Employment Service for local cooperation to combat youth unemployment. In 2017 the Delegation receives an expanded mandate to promote collaboration between stakeholders who are important for labour market entry for new arrivals, and in particular young new arrivals. It is proposed that SEK 30 million per year be allocated in 2017 and 2018 for promotion activities similar to the resources currently available for collaborative youth projects.

To address the challenges relating to unemployment of low-skilled young people, the Swedish government has reinforced the Youth Guarantee with a gradual introduction of a 90-day guarantee of education or employment with measures from day 1. This is designed to further strengthen early intervention by increasing the number of support offers made within
the first months of unemployment. A range of active measures are being launched, particularly trainee jobs and education contracts. While under the current format of the Youth Guarantee many young beneficiaries are offered a job, the proportion of referrals back to education is limited.

Despite the low levels in Sweden in comparison to the EU (see Fig. 4) the government has introduced measures to support the long-term unemployed which include:

- Job and development guarantee starting after 300 days of unemployment, including an activity grant and providing a succession of support measures including screening, job search activities and coaching during at most six months, followed by training measures and at 450 days in the programme, a work placement in public or private sector;
- Employment incentives whereby employers receive compensation corresponding to the social contributions;
- Labour market training and guidance preparing participation in other active measures.12

Legislation and policy measures to improve inclusion of most deprived groups

The Swedish labour market is functioning well, as reflected by the high employment rate. However, a large proportion of unemployed people from vulnerable groups face a number of barriers to (re-)enter the labour market. In particular, low-educated and low-skilled young people and people with a migrant background struggle to find employment. The capacity of the Swedish labour market to absorb the large influx of migrants remains to be seen.

It is becoming increasingly difficult to enter the Swedish labour market with low qualifications. In Sweden’s highly skills-intensive economy, low-skilled people are finding it increasingly challenging to secure employment, while the employment rate of the medium and high-skilled workforce has remained stable for over a decade. Unemployment has increased particularly for young cohorts of low-skilled people.

The Fund for European Aid to the Most Deprived (FEAD) supports EU Member States efforts to provide the most deprived with material assistance or social inclusion measures, such as guidance and support to help people out of poverty.13

The Swedish programme includes non-financial assistance to the most deprived, which facilitates their better integration into the society. Denmark, the Netherlands and Germany have also chosen this direction while other Member States have decided to deliver material assistance.

Sweden’s funds for FEAD amount to EUR 10 million: EUR 7.8 million come from the EU and the remaining EUR 1.2 million, from the Swedish government. The financing aim to support socially excluded people, non-economically active EU-EEA (European Economic Area) citizens staying temporarily in the country, without any right to assistance from the social services. The estimated number of minimum participants for the FEAD in Sweden is 700. The total number reaches approximately 4000 individuals and the number of children accompanying their parents continues to rise.

European Pillar of Social Rights

Since its announcement in September 2015, the European Pillar of Social Rights in September 2015, has been subject of wide debate with EU authorities, Member States, social partners, civil society and citizens. Among the most discussed questions were the
content and role of the Pillar and how to ensure fairness and social justice in the EU. The Pillar has been regarded as a platform to screen employment and social performance, to drive reforms at national level and to serve as a radar for the renewed process of convergence across Europe.

The European Pillar of Social Rights covers the following main categories:

- **Equal opportunities and access to the labour market:** This includes skills development, life-long learning and active support for employment. These elements are all indispensable to increase employment opportunities, facilitate transitions between different employment statuses and improve the employability of individuals.

- **Fair working conditions:** Needed to establish an adequate and reliable balance of rights and obligations between workers and employers. They make sure that there is evenness between flexibility and security to facilitate job creation, job take-up and the adaptability of firms, and promoting social dialogue.

- **Adequate and sustainable social protection:** This includes access to health, social protection benefits and high quality services, including childcare, healthcare and long-term care, which are essential to ensure a dignified living and protection against life's risks. This enables citizens to participate fully in employment and, more generally, in society.\(^{14}\)

**In March 2016 the Commission launched a public consultation** to assess the present EU social "acquis", to reflect on new trends in work patterns and societies and to gather views and feedback on the principles identified in a preliminary outline of the Pillar. The consultation was closed at the end of 2016. Its results contribute to the final shaping of the framework and help to identify the scope of future action where necessary. In January 2017 the Commission held a conference which was an important milestone in wrapping up the consultation and defining the future direction of the European Pillar of Social Rights.\(^{15}\)

**Swedish responses to the proposal for a European Pillar of Social Rights.**

The issue has been discussed both in the Committee on European Union Affairs and the Committee on the Labour Market, where different political parties have a different view on the introduction of the Social pillar. (Christian Holm Barenfeld, Désirée Pethrus and Elisabeth Svantesson are against, whereas the representatives from the governmental parties are in favour.

**Local reactions on this initiative include:**

- **Government office of Sweden,** "A Europe for jobs and inclusive growth", 15 March 2017: "There must be fair working conditions in both the Swedish and the European labour markets. The government is pursuing efforts for a more social Europe with determination, and on 17 November 2017 the Prime Minister will co-host a summit\(^{16}\) in Sweden on fair jobs and growth, with European Commission President Jean-Claude Juncker."\(^{17}\)

- **Swedish Association of Local Authorities and Regions** (SKL), Kristin Ivarsson, 18 November 2016: "Proposals concern matters that are local and regional responsibility on Sweden. SKL therefore believes that a Pillar of Social Rights should be a strategic policy document. SKL welcomes the European common objectives, guidelines and exchanges of experience by, for example, the open method of coordination in the social and employment policy."\(^{18}\)

- **The Swedish Confederation of Professional Employees**\(^ {19}\) (TCO), December 2016: TCO highlights that the EU lacks or has limited legislative powers in many areas related to the Pillar. Therefore, it is important to emphasize the responsibility of Member States to create incentives to achieve better results. Meanwhile, the social partners should be more involved in these processes. The social dialogue and collective bargaining systems across Europe should be strengthened. While the systems differ in
the various Member States and the social dialogue takes various forms, the systems themselves stand strong and deliver concrete results. It is also essential that the EU institutions respect trade union rights and freedoms everywhere in Europe and to EU legislation and measures respecting the national party systems. Wage formation, even during times of crisis, is and shall remain a national competence.

- **Nordic Labour Journal**, “Nordic countries positive to EU social Pillar – but want to set wages themselves” 13 December 2016: “We urge that the proposed European Pillar of Social Rights takes into account the special features of our labour markets and respects the role played by the social partners in the Nordic Region. That is what the Nordic countries’ labour ministers write in a joint declaration to the European Commission.”

### 3. THE SOCIAL INCLUSION AND LABOUR MARKET INTEGRATION OF REFUGEES

**Development of the inflow of refugees to Sweden over time, and their ethnic and socio-demographic composition**

The OECD’s review “Working Together: Skills and Labour Market Integration of Immigrants and their Children in Sweden” is the first in a new series on the skills and labour market integration of immigrants and their children. Out of all the European OECD countries, Sweden is among those with the highest percentage of immigrant population, at 16% that were born abroad. Statistically, Sweden has been the OECD country that had the biggest inflows of asylum seekers compared to its population, which currently stands at around 9.9 million. Furthermore it is estimated that half of the foreign-born population came to Sweden as refugees or as family members of refugees. These humanitarian migrants suffer more substantial difficulties when it comes to integrating into the labour market than other social categories of the population in all OECD countries. Sweden is no exception to this trend, differences between natives and immigrants are prominent, notably due to the relationship between high skill levels and work opportunities favouring the native-born population.

**Source:** OECD

Source: Swedish Migration Agency

Relevant integration policies and practices

New arrivals’ knowledge and skills need to be utilised faster and more efficiently. For this reason, in 2015 the government initiated discussions regarding possible measures to, within the framework of the introduction assignment, create faster pathways – so-called “fast tracks” – onto the labour market for new arrivals who have training or professional experience that is needed in Sweden. The discussions were held with representatives of the labour market, Arbetsförmedlingen and other relevant authorities. Their joint remit is to identify barriers that may impede or delay new arrivals’ entry onto the labour market and to develop concrete recommendations for how the former’s entry can be accelerated. Work on Fast Track commenced during the year, within 14 industries/sectors and covering around 20 professions.

Regarding access to employment, asylum-seekers have immediate access to the labour market if certain requirements are fulfilled and a specific certificate exempting them from the obligation to have a work permit has been delivered. Asylum-seekers can be exempt from needing a work permit provided they are able to prove their identity through original documents or authorised copies. If this is not feasible at the time of application for asylum, it is possible to do so at a later stage, and in that case a subsequent decision will be made on their right to work. In a nutshell, work permits are not issued to asylum-seekers but the fact that they are exempt from needing one means that they are allowed to work. This right endures until there is a definitive decision on their asylum application, therefore it is unaffected during appeals, and can be extended beyond the moment of the decision if the individual cooperates and prepares to leave the country voluntarily. If there is no willingness to cooperate, then expulsion measures are called upon as the applicant’s case is handed over to the police, at this stage the right to work ceases. In general, asylum-seekers cannot work in sectors that demand certified skills, leaving no choice but the unskilled sector. Furthermore, entering the labour market is made difficult by language requirements and a general shortage of demand for unskilled workforce. Finally, beneficiaries of international protection are able to work and live under the same circumstances as all regular residents as they are issued with a permanent residence permit.

As to social benefits, if asylum-seekers do not have money or other means, they can apply for financial support from the Swedish Migration Agency (SMA) in the form of a daily allowance. For example in 2015, the amount of the daily allowance for a single adult where food is already provided was SEK 24 (EUR 2.56), when food is not provided the allowance was SEK 71 (EUR 7.57). This is intended to cover basic necessities.
Furthermore, if asylum-seekers have been offered a job or have begun working, they can apply for a housing allowance. This is applicable if the period of employment is longer than three months and if they need to move to a town where the SMA cannot offer housing.\textsuperscript{22}

**Best practices, perceived challenges and public debate**

It is widely felt that Sweden has reached a breaking-point regarding the intake of refugees, being a victim of its own accomplishments and generosity. Out of all European countries, no other has a greater proportion of refugees in its population than Sweden. Moreover, Sweden received the largest inflow of asylum-seekers in 2015. Employment rates for refugees are as high as in most European countries, but the gap with Swedish-born workers is evident. The main reasons that explain this are that many Swedish-born women work and Swedes are well educated. Consequently a labour market of two extremes is flourishing and the social impact of this is more and more worrying.\textsuperscript{23}

**The Swedish position on a European solution to migration**

Sweden interprets the Dublin Regulation rules rather strictly and respects the hierarchy established by the Regulation. The Swedish Aliens Act refers to the Dublin Regulation rules but not in detail since the Regulation has direct effect in Swedish law. \textsuperscript{24}

**4. POSTING OF WORKERS: THE ‘NORDIC MODEL’**

For the government the principle should be ‘equal pay for equal work’. It is also to introduce a subcontracting liability in construction and civil engineering activities. The proposals in the memorandum concern the implementation in Swedish law of certain parts of the Enforcement Directive to The Posting of Workers Directive.

A memorandum from March 2016 contains proposals on amendments to the Posting of Workers Act. The aim is to make sure people who work temporarily in a foreign country get the same pay as the host country’s workers, rather than having to make do with the minimum wage, which is the case today. This proposal is, put mildly, unusual and controversial.

A new proposal was made on 21 February 2017. The bill proposes amendments to the Act 678 (678/1999) on the posting of workers (Nya utstationeringsregler, pro. 2016/17:107).\textsuperscript{25}
   european-semester-country-report-sweden-en.pdf

2 See Youth guarantee country by country report, 2016, European Commission,

3 See Eurostat

4 See Social security rights in Sweden


6 See http://ec.europa.eu/social/main.jsp?langId=en&catId=1086&newsId=2661&furtherNews=yes

7 See http://www.lo.se/english/the_collective_agreement/the_social_partners

8 See The Swedish Employment Service

9 See The Job and Development Programme

10 See https://www.dua.se/

11 See Ministry of Employment

12 See Country factsheet - Sweden, European Commission

13 See http://www.esf.se/en/Sidhuvud/The-swedish-ESF-council/Feed/

14 See European Pillar of Social Rights

15 See http://ec.europa.eu/social/main.jsp?langId=en&catId=88&newsId=2719&furtherNews=yes

16 See http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2719&furtherNews=yes

17 See http://www.government.se/government-policy/the-swedish-governments-overall-eu-priorities-2017/a-europe-for-jobs-and-
   inclusive-growth/


21 See https://www.migrationsverket.se/English/About-the-Migration-Agency/Facts-and-statistics-/Statistics.html

22 See http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/572784/EPRS_IDA%282015%29572784_EN.pdf

23 See http://www.economist.com/news/finance-economics/21709511-too-few-refugees-not-too-many-are-working-europe-
   refugees-sweden-are

24 See http://www.asylumineurope.org/reports/country/Sweden/asylumprocedure/procedures/dublin#footnote4_j4odn1i

25 See https://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/sweden/sweden-
   posted-workers