

SWEDEN

The income gap vis-à-vis leading OECD economies has widened somewhat in recent years, reflecting a productivity slowdown. Employment rates are high, but average hours worked are low. Reforms of the benefit dependency scheme and labour taxation have helped support labour force participation and employment, and efforts to mitigate greenhouse gas emissions have been made. Further reforms are required, in the areas below.

Priorities supported by indicators

Reform sickness and disability benefit schemes

Sickness absence and disability benefits have been high and conditions to access to these benefits have long been lax compared to other OECD economies, reducing labour force participation.

Actions taken: Tighter administration, time limits on eligibility and measures to promote rehabilitation have lowered sickness absence rates. Temporary disability benefits are in the process of being phased out in 2010.

Recommendations: Continue the reforms to improve gate-keeping to sickness and disability benefits.

Ease restrictive employment protection legislation

Employment protection rules governing individual dismissal for regular contracts are strict compared to other OECD economies, including the other Nordics, even though negotiations with social partners and temporary contracts provide some flexibility. This raises employment costs, reduces flexibility and contributes to create a dual labour market.

Actions taken: No significant action has been taken on regular contracts.

Recommendations: Reduce job protection on regular contracts by, for instance, easing procedures for dismissals.

Reduce marginal taxes on labour income

Average hours worked are low compared to a number of OECD economies, in part owing to high marginal tax rates for earnings above average levels.

Actions taken: The lower threshold for the state income tax was raised in 2009 and the in-work tax credit was expanded in 2009 and 2010.

Recommendations: Cut income taxes by further raising the threshold for the state income tax or reducing its rate. In parallel, shift some of the tax burden towards property and consumption taxes, notably by broadening the consumption tax base.

Other key priorities

Reduce housing market distortions

Private rent controls are amongst the strictest among OECD countries, hindering the efficiency of this market.

Actions taken: Outright ownership of owner-occupied apartments was introduced for new apartment buildings in 2009. New regulations, entering into force in 2011, require municipal housing companies to follow market principles.

Recommendations: Continue to reduce rent regulation. Reverse the housing taxation cut implemented in 2007.

Improve the efficiency and quality of the education system

The age of graduation from university is high and based on international student test (PISA) scores there is room for improving learning outcomes at secondary school.

Actions taken: University tuition fees will be introduced for students outside the European Economic Area in 2011. In tertiary education, financial support for students has been increased and places in the regular system have been temporarily expanded. Admission criteria have been reformed to encourage direct transition from upper secondary to tertiary education.

Recommendations: Strengthen compulsory schooling, especially in science, and improve vocational education opportunities through better workplace links. Introduce fees and other financial incentives to speed up completion of tertiary education and improve market signals for universities.

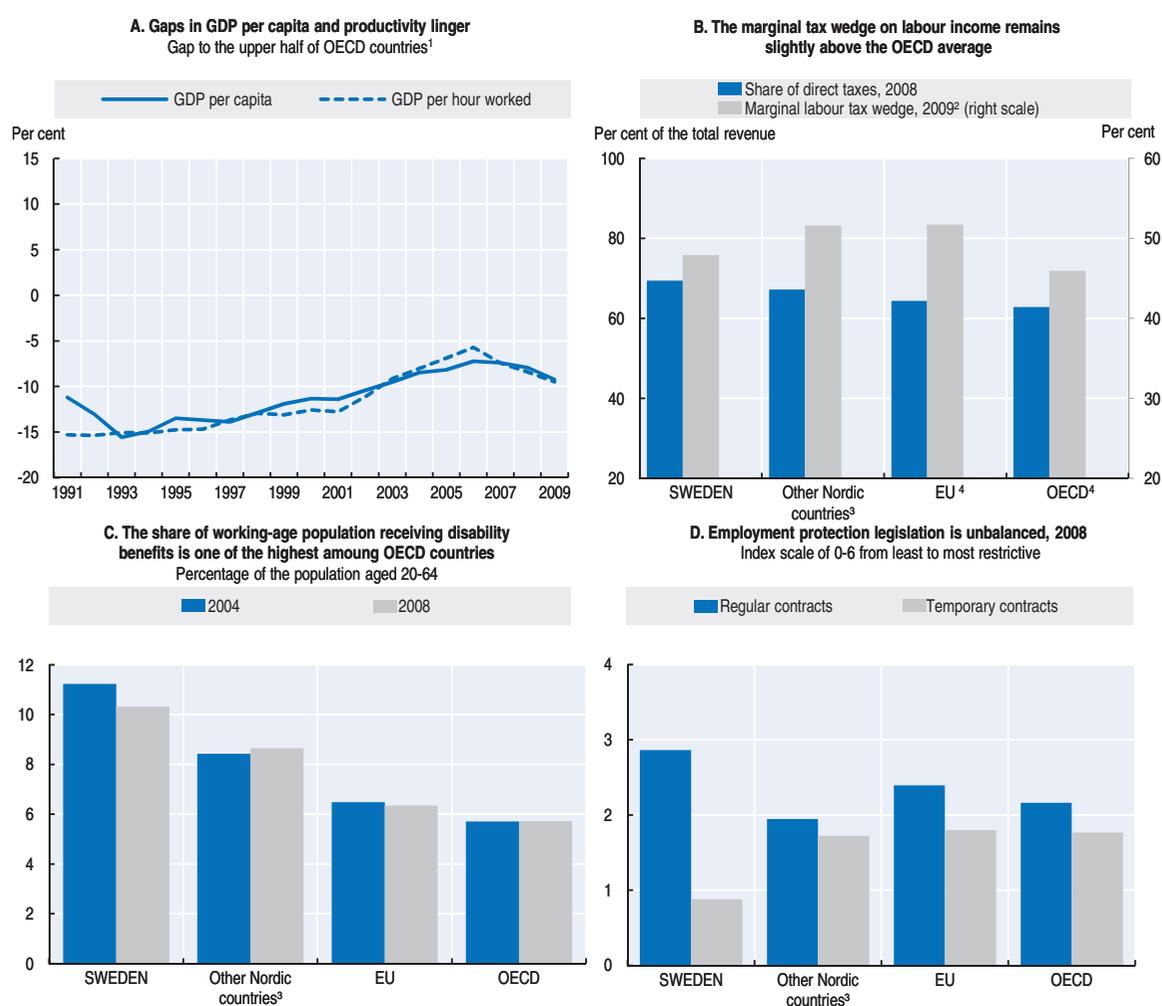
SWEDEN

Structural indicators

Average annual trend growth rates, per cent

| | 1999-2009 | 1999-2004 | 2004-09 |
|-----------------------------|-----------|-----------|---------|
| GDP per capita | 2.3 | 2.4 | 2.1 |
| Labour utilisation | 0.1 | 0.0 | 0.2 |
| of which: Employment rate | 0.2 | 0.2 | 0.2 |
| Average hours | -0.2 | -0.3 | -0.1 |
| Labour productivity | 2.2 | 2.5 | 2.0 |
| of which: Capital intensity | 1.0 | 1.2 | 0.9 |
| Multifactor productivity | 1.2 | 1.3 | 1.1 |

Source: Estimates based on OECD (2010), OECD Economic Outlook No. 88: Statistics and Projections Database.



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs).
2. Evaluated at 100% of average earnings for a single person with no child. Percentage of total labour compensation.
3. Average of Denmark, Finland and Norway.
4. Average of European countries in the OECD. EU and OECD averages exclude Chile, Estonia, Israel and Slovenia.

Source: Chart A: OECD, National Accounts and OECD Economic Outlook No. 88 Databases; Chart B: OECD, Taxing Wages and Tax Databases; Chart C: OECD (2010), *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings across OECD Countries*; Chart D: OECD, *Employment Database*.

StatLink  <http://dx.doi.org/10.1787/888932374293>