

## SWEDEN

### Priorities supported by indicators

#### **Reform sickness and disability benefit schemes (2007, 2009, 2011)**

**Recommendations:** Further improve gate-keeping to sickness and disability benefits. Limit the inflows of youth into these schemes.

**Actions taken:** Various measures have been taken as part of the comprehensive 2007 reform programme, including stricter eligibility requirements and time limits for sickness benefits in 2007, the introduction of greater financial incentives for the disabled to take up jobs in 2009 and the phasing out of temporary disability benefits in 2010.

#### **Reduce marginal taxes on labour income (2007, 2009, 2011)**

**Recommendations:** Cut income taxes for earnings above average levels by further raising the threshold for the state income tax or reducing its rate, while shifting some of the tax burden towards property and consumption taxes.

**Actions taken:** In 2009, the lower threshold for the state income tax was raised and social security contributions were cut. The in-work tax credit was expanded in 2009 and 2010.

#### **Reform employment protection legislation (2007, 2009, 2011)**

**Recommendations:** Reduce job protection on regular contracts, for instance by easing procedures for dismissals or, as a second best option, by lengthening the trial period.

**Actions taken:** No significant action.

### Other key priorities

#### **Reduce housing market distortions (2007, 2009, 2011)**

**Recommendations:** Continue to ease rent regulation, boost competition in the construction sector, simplify the land planning process and reverse the housing taxation cut implemented in 2008.

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

#### **Improve the efficiency of the education system (2007, 2009, 2011)**

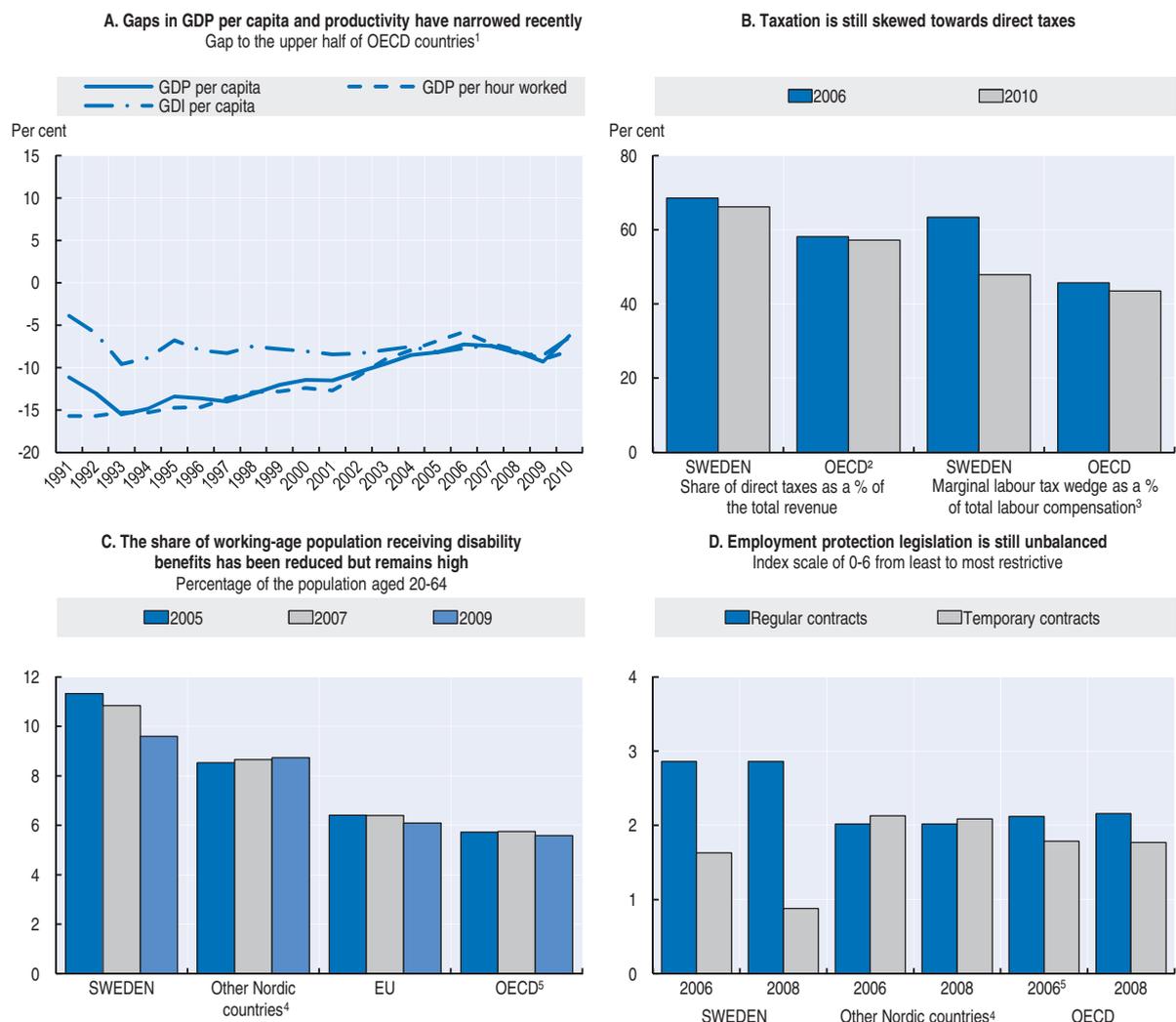
**Recommendations:** Improve the performance of secondary and vocational education. Reduce the average age of entry into tertiary education and shorten completion times.

**Actions taken:** The government introduced teacher certification in 2008 and gradually increased the use of tests in compulsory education. It reformed admission criteria to encourage earlier entry into university in 2010 and introduced tuition fees for students from outside the European Economic Area in 2011.

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- After having widened somewhat, the income gap *vis-à-vis* leading OECD economies has narrowed most recently, reflecting a rebound in productivity growth. Employment rates are high, but average hours worked are low. The remaining GDP per capita gap reflects mainly a productivity shortfall.
- Among key priorities, progress has been made in raising labour market participation through reforms of the sickness and disability benefit schemes and cuts in marginal taxes on labour income, as well as in improving the performance of the education system. By contrast, little has been achieved in terms of reforming employment protection legislation and reducing distortions in the housing market.
- In other areas, large additional spending on active labour market programmes and the extension of access to the education system helped mitigate the labour market impact of the crisis, and these measures are still in place.

### Performance and policy indicators



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
2. Data refer to 2009 for Australia, the Netherlands and Poland.
3. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. Evaluated at 100% of average earnings for a single person with no child.
4. Average of Denmark, Finland and Norway.
5. The OECD average excludes Chile, Iceland and Turkey.

Source: Chart A: OECD, *National Accounts and Economic Outlook No. 90 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*.

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