

## SWEDEN

- The income gap vis-à-vis leading OECD economies has narrowed, reflecting strong productivity and employment growth. Employment rates are high, but average hours worked low. The remaining GDP per capita gap reflects mainly a productivity shortfall.
- Much has been done to lower inflows into sickness and disability schemes and efforts to improve the efficiency of the education system have been made. By contrast, little has been achieved in the area of job protection and the housing market.
- Marginal income tax cuts and reforms of the sickness and disability benefit system would continue to raise hours worked and employment. Reducing labour market duality by lowering job protection on permanent workers and improving the functioning of the housing market would ease labour mobility and boost productivity growth. Enhancing the efficiency of the education system would foster human capital accumulation.
- In addition to boosting productivity, narrowing the gap in job protection between temporary and permanent contracts would help low-skilled, young and immigrant workers to gain a strong footing in the labour market and hence, reduce inequality.

### Growth performance indicators

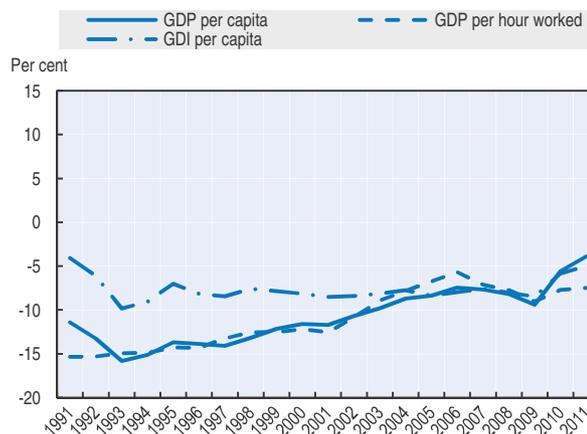
#### A. Average annual trend growth rates

Per cent

	2001-06	2006-11
Potential GDP per capita	1.9	1.4
Potential labour utilisation	0.1	0.2
of which:		
Labour force participation rate	0.0	0.1
Employment rate <sup>1</sup>	0.0	0.1
Potential labour productivity	1.8	1.2
of which:		
Capital intensity	0.4	0.4
Labour efficiency	1.2	0.6
Human capital	0.2	0.2

#### B. Gaps in GDP per capita and productivity have narrowed recently

Gap to the upper half of OECD countries<sup>2</sup>



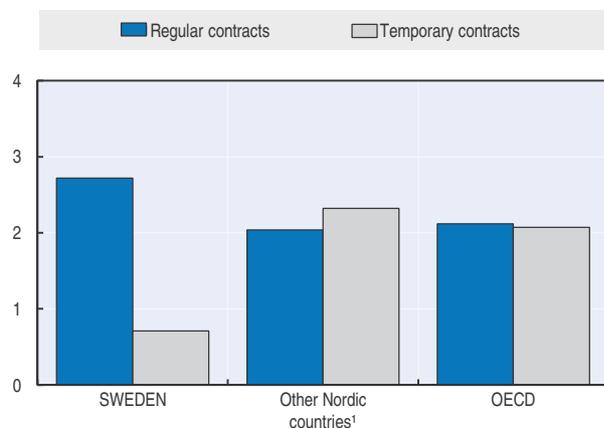
1. The employment rate is defined with respect to the economically active population and therefore captures the (inverse) changes in the structural unemployment rate.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: OECD, National Accounts and OECD Economic Outlook 92 Databases.

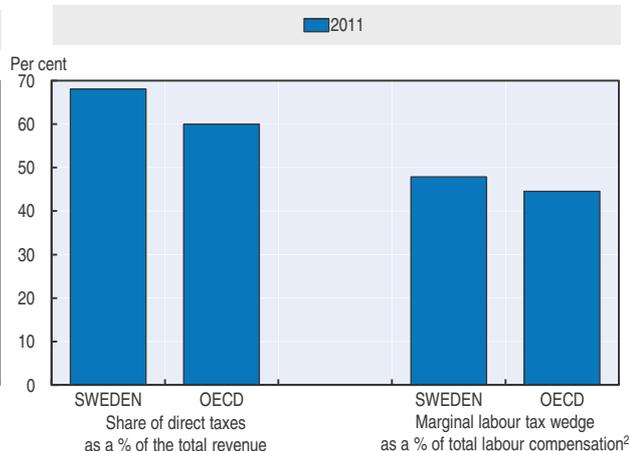
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## Policy indicators

A. Employment protection legislation is unbalanced, 2008  
Index scale of 0-6 from least to most restrictive

B. Taxation is skewed towards direct taxes



1. Average of Denmark, Finland and Norway.

2. 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.

Source: OECD, *Employment, Revenue Statistics and Taxing Wages Databases*.

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## Identifying Going for Growth 2013 priorities

## Priorities supported by indicators

**Reduce marginal tax rates on labour and shift the tax structure towards property and consumption.** High marginal tax rates on above-average incomes dampen hours worked and productivity growth.

**Actions taken:** No action taken.

**Recommendations:** Cut income taxes for earnings above average by raising the threshold of the state income tax or lowering its rate and shift some of the tax burden towards immovable property and consumption taxes.

**Reduce the gap in job protection between temporary and permanent contracts.** Large gaps in job protection between permanent and temporary contracts raise labour market duality risks, with potential adverse consequences for labour reallocation and productivity growth.

**Actions taken:** No significant action has been taken on permanent contracts.

**Recommendations:** Reduce job protection on permanent contracts, for instance, by removing the obligations related to internal reassignment and the priority for dismissed workers to be re-hired while helping transitions from temporary jobs to permanent ones.

**Reform sickness and disability benefit schemes.** A large share of the working-age population receiving disability benefits reduces labour force participation.

**Actions taken:** In 2011, the government asked the relevant institutions to develop an internship programme for people with disabilities and in 2012 it increased resources for rehabilitation.

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**Recommendations:** Monitor the impact of the sickness and disability pension reform to ensure that the substantial drops in inflows are sustainable. Improve co-operation between the Public Employment Service and the Social Insurance Authority to promote the return to work.

**Other key priorities**

**Improve the efficiency of the education system.** A more efficient education system would help raising employment rates and fostering productivity.

**Actions taken:** In 2011, the government started a reform of upper secondary school that includes changes in the content of vocational education to make it more targeted to labour market needs. The Budget Bill for 2013 introduced measures to develop further vocational education and apprenticeship programmes.

**Recommendations:** Monitor the impact of the reform. Continue to develop apprenticeship programmes and work placement in vocational education. Improve incentives to enter into tertiary education at a younger age and to shorten completion times.

**Reduce housing market distortions.** Housing supply rigidities impede labour mobility and increase the risk of the build-up of imbalances.

**Actions taken:** In 2011, a new Planning and Building Act and a court of appeal were introduced to speed up the construction of new buildings. Since 2011, rent levels set by public housing companies are no longer the standard for all rents, which is likely to more closely align rents with market values. The Budget Bill for 2013 proposed additional measures to relax restrictions in rent setting.

**Recommendations:** Continue to ease rent regulation, boost competition in the construction sector and simplify the land planning process. In parallel, increase owner-occupied housing taxation to minimise the risk of creating imbalances in the housing market.

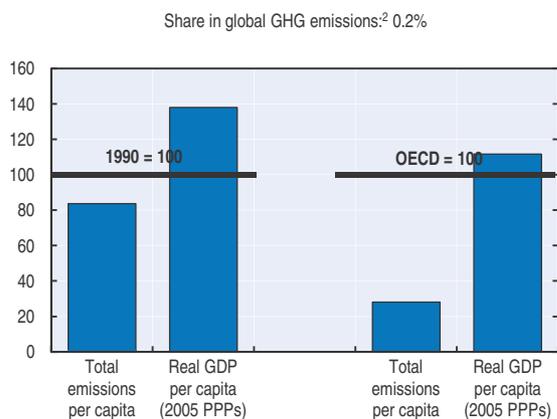
**Previous Going for Growth recommendations no longer considered a priority**

For this country, all 2011 *Going for Growth* recommendations remain as priorities.

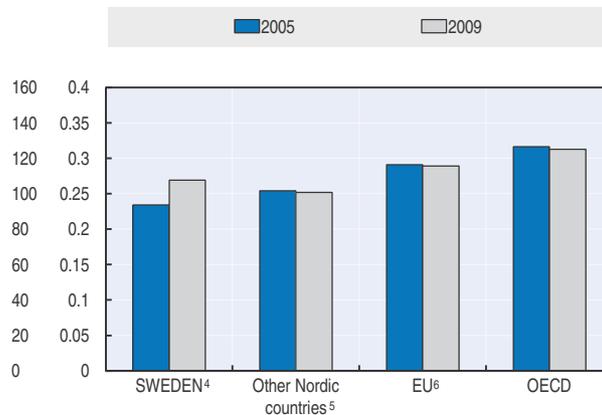
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## Other dimensions of well-being: Performance indicators

A. Emissions per capita are below the 1990 level and well below OECD average  
 OECD average  
 Average 2006-10<sup>1</sup>



B. Income inequality<sup>3</sup> is well below the OECD average but has been increasing  
 Gini coefficient



1. Total GHG emissions including LULUCF in CO<sub>2</sub> equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on equalised household disposable income for total population.
4. Data refer to 2004 and 2010 for Sweden.
5. Average of Denmark, Finland and Norway.
6. Average of 21 EU countries members of the OECD.

Source: United Nations Framework Convention on Climate Change (UNFCCC) Database; OECD, Energy (IEA) Database and OECD Income Distribution Database, provisional data ([www.oecd.org/social/inequality.htm](http://www.oecd.org/social/inequality.htm)).

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