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## **Work Package 3**

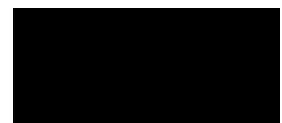
**Identifying Policy Innovations increasing Labour Market  
Resilience and Inclusion of Vulnerable Groups**

**National Report – Sweden**

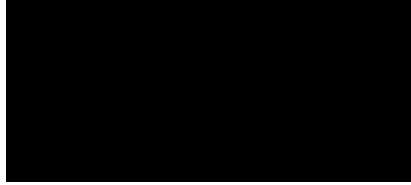
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## Introduction

This report will start with providing some general information on the institutional structure of the Swedish labour market, some demographic and socio-economic information as well as a description of main actors and forms of governance. To understand the reactions on the crisis and the development of the labour market situation it is further important to emphasize the shift of government that took place shortly before the crisis hit Sweden. A second part of the report will concentrate on policy responses. Here mainly the work principle, incentives geared towards employers, policies that changed the way of delivery and less frequent risk prevention are identified. In a last section, positively and negatively factors impacting on labour market resilience will be summarized.

## General institutional settings of Swedish Labor market policy

Active labor-market policy has been in place since the 1940s as a feature of Swedish labor market policy. The programs were over a long period general open to all unemployed people, and were seen as keys to full employment. At the end of the 1970s the programs became more specialized with the introduction and extension of special measures for occupationally handicapped and for young people in both general and vocational training (SOU 2000:37).

Swedish Labor market policy has three principal tasks. First, to channel work to the unemployed and labor to employers, second to combat recruitment problems and finally to take initiatives to help those who have difficulty obtaining work in the regular labor market. The basis for this task is the activation and skills enhancement principle (arbets- och kompetenslinjen). This means that an unemployed person should primarily be offered work and, if this fails, active labor market measures. Only when these alternatives have been exhausted should various forms of financial benefits be made available. The national government decides on the objectives, regulations and financial framework of labor market policy (Sweden.se).

Passive measures comprise a system of economic compensation for unemployment. Active labour market programs include e.g. training and temporary work for the unemployed in order to improve the opportunities of unemployed workers. The two systems, rather than being isolated from one another, are connected. Thus an unemployed person, by participating in a program, may become entitled for a new period of unemployment benefit. On the other hand an unemployed person who refuses to join a program may lose the right to benefit. Hence, possibilities of re-qualifying when a benefit period ends resulted over many years in virtually never-ending periods of compensation and changes have been introduced during the last couple of years (Clasen et al 2001). Participation in programs was over a long period based on rights and voluntariness rather than on duty and compulsion. The unemployed person was, however, formally required to seek work actively and take what was offered even before the crisis in the 1990s under both the unemployment benefit system and the social assistance systems.

The character of ALM policies changed over time. In the 1960 and 70s the number participants in subsidized measures and vocational programs increased steadily; whereas in the 80s and the beginning of the 90s the number participants in subsidized and training programs showed a contra-cyclical pattern. The number participants was thus small at the end of the 80s when the economy was good but exploded in the crisis 1990. The number participants in labour market programs decreased continuously since the end of the 1990s.

The programs within the active labor market policy can roughly be classified in two categories:

- Programs to encourage demand for labour and generate employment. The purpose of these programs is to maintain demand for labour during periods of weak demand and to improve the employability of the unemployed (e.g. the recruitment incentive, start-up grants, the work experience program, municipal youth programs, the youth guarantee, and the activity guarantee program).
- Programs to influence labour supply are aimed at creating a better match between available labour and the existing demand for labour. Over the past few years, these programs have grown in importance. The programs can target both individuals and companies (e.g. Employment training, in-house training at companies a form of financial subsidy to employers who train their own personnel).

We will be revisiting these and other categories of active labour market policies, as well as other broad labour market trends, further along in the report.

Swedish labour market policy is quite regulated, both regarding the aims and the way to reach them. The government annually formulates an assignment, where the aims of the labour market policy are formulated. This assignment is directed to the Swedish Public Employment Service as the central authority for implementing labour market policy. In the assignment it is regulated which groups are to be primarily focused on, what kind of measures shall be performed and the financial conditions for the assignment as a whole. The Swedish Public Employment Service in turn is responsible for redistributing the resources among the labour market regions, as well as providing them with aims and guidelines drawn up by The Swedish Public Employment Service based on the national assignment. That means all labour market regions offer the same type of measures.

With the conservative government elected in 2006 the responsibility for labor market policies was transferred to a new ministry, the Ministry of Employment. The task of labor market policy was re-defined by the conservative government as including three principal tasks:

- to channel work to the unemployed and labor to employers
- to take measures against shortage occupations and bottlenecks
- to take initiatives to help those who have difficulty obtaining work.

## Social assistance and local policies against poverty

The legal framework for social assistance is the Social Service Act (2001:453) which was established in 1982 and has been revised a number of times since then. The Social Service Act from 1982 marked a clear break with the earlier poverty aid legislation that was characterized by control and rather detailed regulation. With the Social Service Act, social assistance, social work and social care were fused into one (municipal) organization. It was argued that a holistic approach together with a rejection of the traditionally stigmatizing distinction between deserving and undeserving poor would make it easier for people to get the appropriate help. The overarching goal for the social services expressed the citizens' equal worth and right to social security and the law is founded on a confidence of the citizens' capability and will to change their situation. One of the core principles of the reform was voluntariness and self-determination instead of compulsion. The municipalities have the final responsibility for offering the local inhabitants the support and help they need (Social Service Act 2 Ch. 2§). According to the principle of sojourn, the municipality where an individual's need for help arises has the responsibility for providing support, irrespective of how long the individual has stayed in the municipality. The responsibility for processing social assistance cases thus rests with the municipalities. They have the autonomy to choose the organizational form of their activities according to the local conditions.

The act has the structure of a framework law. It determines only in a general manner the eligibility for social assistance but hands the implementation over to the local municipalities and gives the social workers extensive discretion in deciding over the benefits in the individual cases. During the period of almost 25 years the Social Service Act has been revised several times. Changes has influenced the division of responsibility between the state and the local level, but also redefined individual rights and affected the relation between the individual and the administration (Government Bill 1996/97, Åström, 2000).

Social Assistance is provide to a level ensuring people a reasonable standard of living and the benefit system is to be designed so as to strengthen people's opportunity of living an independent life (National Board of Health and Welfare 1999). The concept of "reasonable standard of living" has, however, never been defined in more detail in the Social Service Act, resulting in a great deal of freedom for the municipalities to assess individuals need for help and to determine benefit levels. The basic idea behind this construction is that needs may vary due to local conditions and that the municipalities may adapt their compensation levels to those variations. National government has though tried to exercise control by the use of standard benefit rates defining a bottom level which compensation should not go below.

A national benefit standard was introduced in 1998, serving as a kind of lowest standard the municipalities are obliged to follow. The introduction of a national uniform benefit rate for social assistance can be seen as strengthening the individual's position vis-à-vis the municipality and as a recentralizing step decreasing municipal discretion. It is intended to guarantee a minimum standard including a certain number of budgetary items equal all over the country, thus limiting the municipalities' possibilities to lower the levels. But the municipalities still have the possibility to choose



if certain budgetary items shall be included in the uniform benefit rate or not. However, there are no signs that the uniform benefit rate has diminished the municipal variation in social assistance costs (Bergmark, 2001).

Funding social assistance is a municipal responsibility and financed via local taxes. The expenditures for social assistance accounted during the 20<sup>th</sup> century for a relatively marginal part of the total social expenditures in Sweden.

This was still the case in the end of the period, even though the increase of social assistance expenditures during the 1990's has often been characterized as dramatic. Expenditures for social assistance almost doubled, rising from roughly 6 billion in 1990 to 11.4 billion SEK in 1998 and 8.7 billion in 2004. In 2007, just under SEK 8.9 billion was paid in social assistance and in 2012, municipalities paid out SEK 10.6 billion in social assistance (Statistics Sweden 2013). The share of social assistance recipients in the Swedish population rose from 6 percent in 1990 to 8.5 percent in 1997 and 4,1 percent in 2007 and 4,2 in 2012 (Bergmark, 2000; NBHW 2005, 2013). A particular characteristic of the crisis was the increasing length of social assistance periods, from an average of 4 months in 1990 to 5.5 months in 1998 and in 2012, 6 months (NBHW, 2005, 2013).

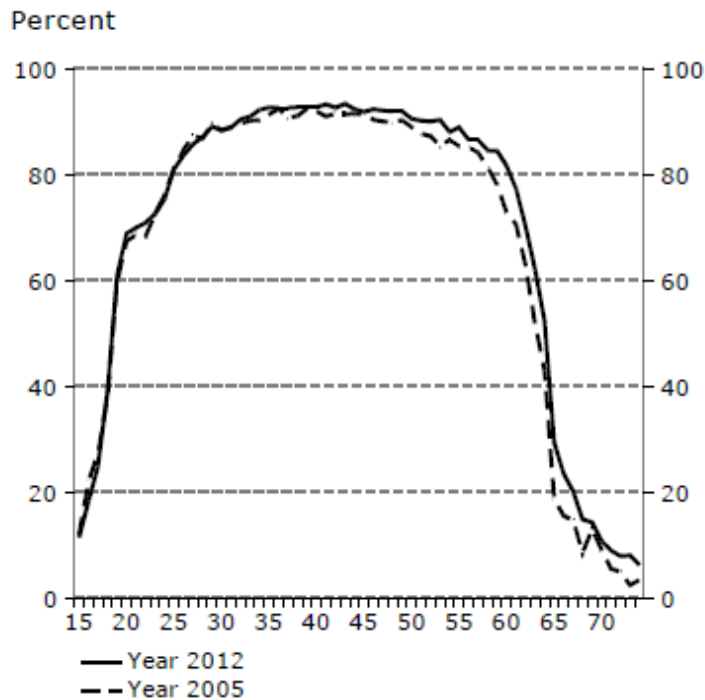
It is first and foremost the parliament and the government who have the legislative power and every year formulates the national standard for social assistance. Another important actor is the National Board of Health and Welfare whose role is to interpret the legal practice, the law and statute.

## Demographic structure

Sweden is a sparsely populated country with 9.5 million inhabitants. Most of these (85%) live in cities. In 2012, approximately 75 percent of the population was of working age, ie 15-74 years.

The degree of participation in the labour force however varies on account of several aspects, one of the most prominent ones being according to age. Below you can see a chart displaying the dispersion of labour force participation by age group, revealing a notably low participation rate among those between 15-20/25 years of age. These numbers are also the cause of great political debate regarding the high levels of youth unemployment over the past 5-6 years.

Table 1: Labour force participation rate according to age



Source: Statistics Sweden.

At the beginning of the 1990s, one third of the population had primary and lower secondary education, and about one in ten had three years of post-secondary education. Today more Swedes are highly educated than those who are low educated. 25percent of the population aged 25–64 have at least three years of post-secondary education, while 13percent only have primary and lower secondary education. In 2012 40 percent of the population aged 25–64 has some form of post-secondary education (Statistics Sweden 2012).

Vocational training is at the center of discussion. In Sweden (up until the reform in 2011), vocational training was school based and ran for three years. The lion's share of vocational training happened at school, supplemented by a total of 15 weeks of work experience in real workplaces. Until 2011 vocational programs also gave basic eligibility for higher studies. Yet, with the reform in 2011 the vocational training no longer provides automatic eligibility for higher studies, but all students have the right to choose to read the subjects required for university studies as part of their high school program. Another important change that took place in 2011 was that all training programs can be taken as apprenticeships instead of school-based training (see Wp3 reform).

Many professions in Sweden are regulated, which means that special permits are required to practice certain professions. These permits normally certify the completion of a specialized training program.

Educational background and prior experience are the main requirements for permission to work in Sweden, and must be approved by either the National Board of Health or Welfare (*Socialstyrelsen*), the Swedish National Agency for Higher Education (*Högskoleverket*) or other national authorities.

According to the Swedish employment services provider, labor shortages exist in the technical professions and in higher education. It predicts there will be even more labor shortages in five to ten years due to increased retirements. Hiring optimism is greatest in the private services sector, but employment is predicted to continue to fall for some occupations in manufacturing. Demand is greater for those with five to ten years of job experience than for those new to the job market, and that gap is growing. There is an increasing labor shortage for those with work experience and greater job competition among new graduates.

### Socio-economic structure

Sweden is an export oriented market economy. More than half of all products manufactured in Sweden are exported. Traditionally, the Swedish business sector and industry have been commodity-based. Timber, hydropower, and iron ore constitute the resource base of an economy heavily oriented toward foreign trade. Privately owned firms account for about 90% of industrial output, of which the engineering sector accounts for 50% of output and exports. The Swedish sawmill industry is still the largest in Europe and accounts for about 10% of the world's exports. In the pulp and paper industries, Sweden was the third largest exporter in the world in the early 90s.

The engineering industry is the largest manufacturing industry in Sweden. Swedish engineering companies like ABB and Ericsson are significant and widely known. As are car and airplane industries, such as Volvo and SAAB who produce both cars and trucks under various brand names. The service sector is by far the largest in the Swedish economy in terms of employment. It consists not only of traditional services like financial, educational and medical but also of an increasing service part in production industries. Large parts of the Swedish service industry belong to the public sector, for instance, almost all hospitals, schools and child-care centers are owned by the State. A privatization process has however started in this sector and former monopolies like Posten (mail services), Telia (telecommunications) and SJ (railway transports) have been or are in the process of being introduced on the stock market. The Swedish chemical industry was in the beginning mainly producing matches and explosives, while paint and plastics have grown to become a large share of chemical production after World War II. The medical part, dominated by e.g. Astra is the most research intensive of all industries.

Although paper, iron and steel are still important products, Sweden's main competitive factor today is knowledge and the flexible use of existing tangible and intangible resources. In addition to maintaining competitiveness in goods and manufacturing, growth in modern service sectors such as information and communication technology has been strong in Sweden. Internet calling service Skype and online music streaming service Spotify are two examples (ekonomifakta).

Sweden has a large public sector with ambitious healthcare, educational and childcare systems. In international terms, high income tax even at very low levels of income is a distinguishing feature of the Swedish tax system. This is due to very low basic allowance. Also, the highest marginal tax in Sweden, that is the percentage of tax paid on the last Krona of the tax base, is about 57 per cent and is applied at an, internationally speaking, low income level. In relative terms, Sweden's business sector is smaller than the averages for the EU and the OECD member states, which is to be considered in the light of the fact that the public sector accounts for a larger share of GDP than in comparable, industrialized countries.

## Actors and forms of governance

Understanding processes and actors of policy-making and policy implementation in Sweden the concept of *local autonomy centrally framed* is useful (Kazepov 2010). The concept captures the high autonomy municipalities retain in managing and funding policies embedded in a national defined regulatory context, which contributes – through the direct provision of many benefits and services – to keep territorial differentiation under control. The institutional design of intra-national variations is comparatively lesser than in other countries (e.g. Italy) but bigger than, for instance, in France. In Central control is for example maintained through the National Board of Health and Welfare, which provides guidelines for social assistance provision and monitors the activities at the municipal level. Income inequality and poverty *before* taxes and transfers is relatively high, *after* taxes however it becomes the lowest in Europe. This is a result of the redistributive capacity of the welfare system. In fact, income transfers like child and family allowances, unemployment benefits, and in-kind services keep large parts of the population well above the poverty line.

When it comes to the NGO-Government relationship, Sweden can be classified as belonging to the Government-Dominant model in which the Government plays the dominant role in both the financing and delivery of the services. This means the Government is both the main financier and the principal provider of these services using the tax system to raise the funds. But during the first half of the 20th century, this gradually changed to a more collaborative system with the State financing NGOs in a number of fields (Babila Sama & Outi Järvelä 2014).

## Labour regulation

Swedish trade unions are among the strongest in the world. Even after a slow decline from a peak in the early 1990s and a particularly sharp drop during the past five years, union density still hovers around 70%. There are, however, large variations according to industrial sector, occupation and age. Density is considerably higher in manufacturing than in services and higher in the public than in the private sector. It is also higher among white-collar than blue-collar workers and higher among older than younger workers. Nevertheless, taken as a whole, the Swedish labour force is highly unionised. In addition, high union density is combined with relatively powerful and coherent organisation. Swedish unions are organised according to occupation and industry, not along religious or political lines. The vast majority of unions belong to one of three major confederations. In addition, Swedish employers also tend to be

more organized than their counterparts in other countries, with many belonging to associations which, in turn, are organized into confederations. In this highly organized setting, three types of collective agreements may be distinguished: between union and employer confederations, between individual unions and employer organizations, and between local unions and individual employers. Although individual unions generally bargain over pay and working conditions, the confederations may coordinate the bargaining of their member unions and local branches, and employers may also supplement framework agreements signed at the higher levels through local bargaining (Hällsten et al, 2010).

The 1975 Employee Consultation and Participation in Working Life Act regulate Swedish unions' information and consultation rights. Among the Act's provisions is a requirement that employers negotiate with unions regarding important changes to the company as well as work and employment conditions. It also imposes an obligation on employers to inform unions regarding company developments with respect to production and economic prospects. In addition, employers are required to provide unions with opportunities to examine the accounts, budgets and other company materials to the extent that this is necessary for unions to safeguard the interests of their members.

The Act also regulates layoff notifications in the case of shortage of work, stipulating that, among other actions, the employer must inform the union and/or the employee in writing regarding the cause of dismissal, the number of employees to be dismissed and the duration of the notification period. Regulations regarding layoff and dismissal are also found in the Employment Protection Act(1974/1982), including the requirement that there be just cause for dismissals brought about by a lack of work and that the reasons should be related to the work of the individual employees affected. It should be noted that shortage of work not only implies a drop in sales but also changes initiated by the employer in the management of the company. Although most of the Act's provisions are mandatory, some provisions may be sidestepped through collective agreements at the sectoral and/or local level (Hällsten et al, 2010).

### **Trends towards centralization in the new century**

After a period of reforms in the 1990s that implied a transformation of responsibility from the national to the local level, a period of centralization was observable. The transformation of the National Labor Market Administration and the 20 county labour boards into the Swedish Public Employment Service was one change towards centralization. The motives behind this transformation were to guarantee a more efficient government, to adapt the organization to new challenges that occurred in society and to increase the quality of the organization. The Public Employment Service got a new operational focus with stronger emphasis on employment and matching. Several new programs have been introduced, while other programs have been or are being phased out. A similar kind of reorganization took place in 2005 with respect to the National Insurance Agency. The previous 21 autonomous social insurance offices and the National Social Insurance Board were joined together to form one agency. One of the motivations behind the decision to reorganize the social insurance administration was the problem of the large increase in long-term sick leave which had been going on for many years. The aim was to

create clearer control of the work within the social insurance sphere, more uniform application of laws and regulations and increased public insight.

Another example of a trend towards centralization is the abolishment of municipal youth programs. Reasons for this were that these programs showed no positive effect in terms of young unemployed peoples' possibilities to establish themselves on the labor market (Sibbmark & Forslund 2005, Forslund & Nordström Skans 2006). Further critique was that young unemployed had lost contact with the national publicemployment services, that the governments' possibility to follow up, steer and control municipal activities for young unemployed was too difficult and that local activities were of varying nature.

### **Market-oriented changes**

The Swedish welfare state has experienced considerable market-oriented changes in the provision of welfare services in recent decades. During the 1990s, as the dual consequence of the crisis and earlier ideological and political directional change, the welfare service sector experienced decentralization, market orientation and increased levels of user financing. Strategies for market orientation were revealed, both as various kinds of privatization and as the introduction of new administrative practices within the welfare service sector that remained under public control. Privatization in terms of financing and management remained a somewhat marginal phenomenon but publicly financed services produced by private actors increased substantially towards the end of the century in almost every welfare sector; child-care, education, health care, care of the elderly, services for alcohol and drug abusers, and child and youth welfare services (Palme et al ., 2002, Dellgran and Höjer 2014).

One clear tendency in municipal social work is the expansion of purchase of services from subcontracted private firms. Administrative reforms in the early 1990s gave the municipalities' greater freedom in governing and in arranging provision of welfare services. This decentralization of the administrative system has strengthened the autonomy of the Swedish municipalities. Judging by current trends, this will further increase differentiation in the organization and performance of social work and other welfare arrangements (Dellgran and Höjer 2014). (For more information see reforms on complementary actors and RUT/ROT). Further examples of this tendency in the implementation of services is the introduction of subcontracted coaches and guides within the Local Public Employment Service offices, introduced as a supportive measure in many of the programs and policies. In fact, in 2007 the Swedish Public Employment Service was commissioned by the government to purchase private employment services.

### **Current labour market situation**

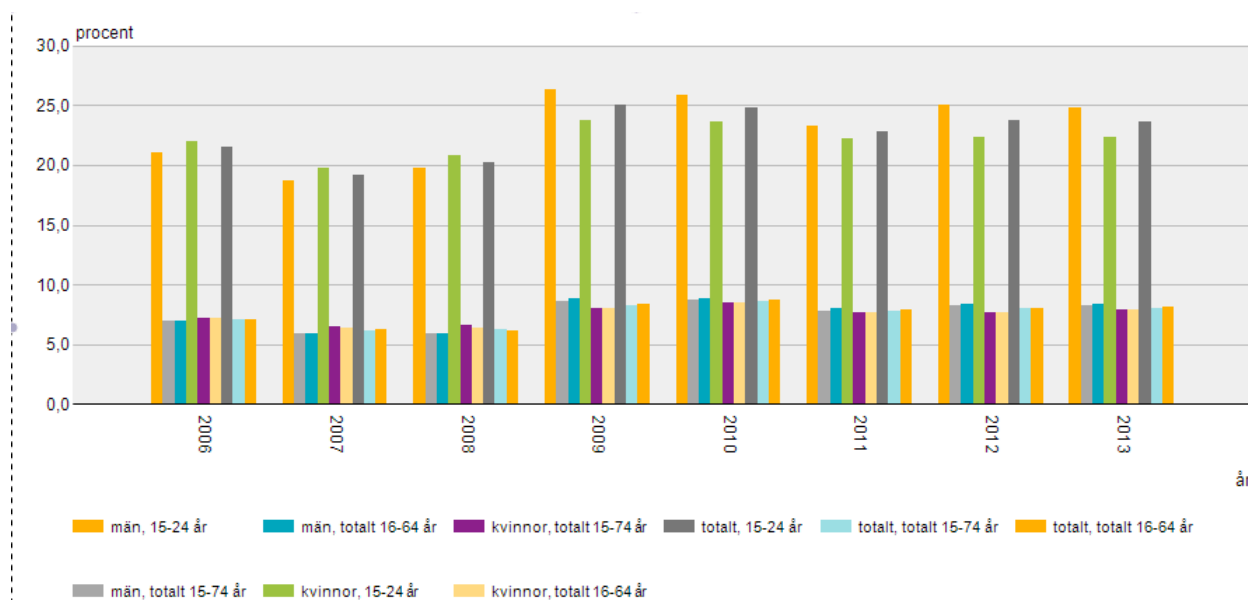
When accounting for the current labour market situation one has to take into consideration not merely the crisis of 2008, but the preceding change in government which took place in 2006. After three mandate-periods and 12 years of consecutive Social democratic rule a centre-right coalition called the Alliance took office in September of 2006. As described in both literature and pointed out in expert

interviews (Korpi 2014, Erlandsson 2014), many of the policy changes taking place and impacting the labor market after the crisis were not in actuality a responses to an external chocks, but the already introduced policy reforms guided by new political driving forces. Having said this much, the effect of the crisis in combination with the direction of policy reforms in the area of labour market and social security policies had the effect of strengthening insider – outsider divisions, combined with labour market programs strongly promoting activation.

Looking at the different sectors of the labour market, the dominating one is today the personnel-intensive service industry, moving further away from material-intensive industries, as has been the ongoing trend for a long time.

According to the annual labour force survey, in the first quarter of 2014 Sweden had an overall employment of 8% among those aged 15-74, with 71,7% of the population this age being part of the labour force (Statistics Sweden 2014 first quarter). Looking at previous surveys

**Table 2: Unemployment rate ages 15-74 by age, gender and year**



Källa: Statistiska centralbyrån (SCB)

### The labour market position of vulnerable groups

In order to provide context to the various trends in policy responses and specific measures implemented or reformed, the labour market situations of the five main vulnerable groups will be scetched out briefly. These are: immigrants, people with disabilities, older wrpkers and youth. A specific section will also described the position of NEET in Sweden. Much of the background informtion in this section overlaps

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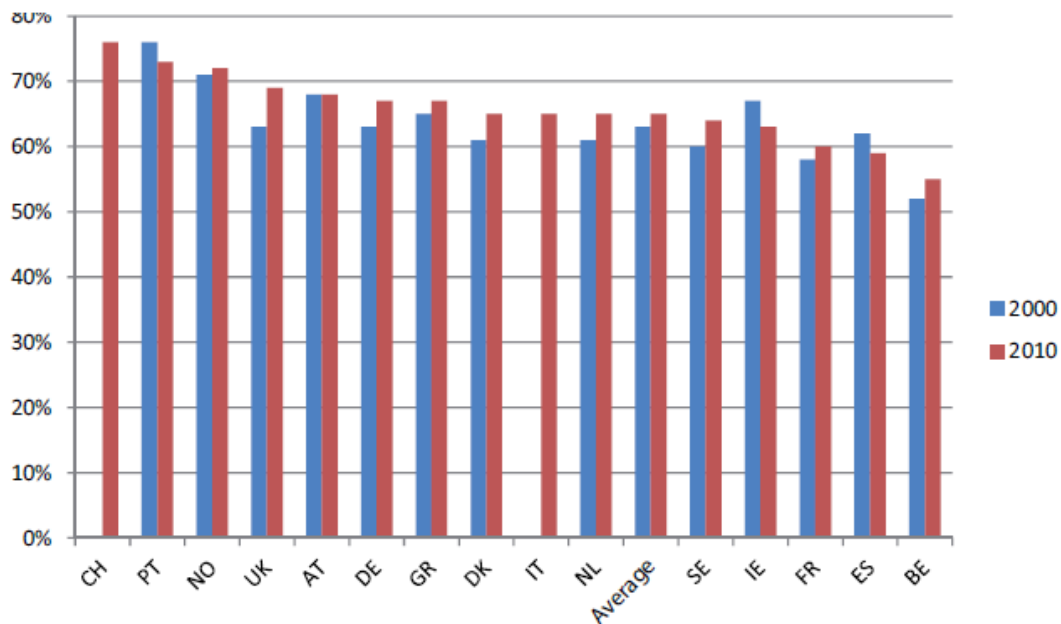
with more detailed accounts of the labour market position of these groups as described in the country report of WP2.

### *Immigrants*

During the 21st century the immigrant population of Sweden has increased and was in the beginning of 2010 estimated at 1.3 million people, which is approximately 14.3 percent of the population. Many of those who have migrated to Sweden in later years have done so as refugees, asylumseekers and their familymembers. The geographical spread shows the majority of migrants originating from countries outside of Europe (59%), with 32% being European migrants and only 9% originating from other Nordic countries (Ekberg, 2012).

At the turn of the century, the unemployment rate of immigrants in Sweden was at 12%, having since increased to slightly over 15% in 2010 (Szulkin et al 2014). In 2012 the unemployment rate among immigrants was at 16% for men and 15% for women in 2012 (Pettersson 2014). The difference between the foreign-born and native-born populations creased from 7% in 2000, to 9% in 2010 (Figure below).

**Figure 1 Unemployment among immigrants (aged 20-64) in 15 European countries (2000 and 2010)**



Source: Szulkin et al 2014

In a study performed 2010, Sweden shows very low levels of employment among immigrants who have migrated to the country within the last ten years. This is true for both males and females. The problematic situation for recent immigrants becomes even clearer when their employment rate is compared to that of the native-born population. Labor market integration appears to function poorly. For those who have been resident in the country for more than ten years, the gap to the native-born



population is generally smaller (Szulkin et al, 2014). It is easy to come into the country, but it is difficult to enter the labor market (Ryzsard Szulkin, interview).

#### *People with disabilities*

The labour market position of people with disabilities in Sweden is not as well documented as that of other vulnerable groups in Sweden. The heterogeneity of the group and lack of any gathered register or targeted survey provides only limited information on rate and levels of unemployment, occupation etc. There are however some statistics from broader surveys to some extent providing information on this particular group as well. According to a survey performed by Statistics Sweden in 2012, approximately 71% of the respondents stated having an occupation (employed, self-employed or on parental leave). Among those with reduced work capacity, the corresponding share was about 44%. The employment rate was also higher among men with reduced working capacity than among women (51% to 39%). As among those in the workforce in general, the women in this group are to a greater extent part-time employed than the men. Among people who have work, those with a disability report that they have permanent or temporary employment to the same extent as the non-disabled. Of those with a reduced work ability, nearly 30 percent work between 20–34 hours a week. For the non-disabled population, 13 percent work between 20–34 hours a week. When it comes to the way disabled people are treated on the labour market after the crisis, expert interviews attest to a pronounced individual responsibility, and a focus on employability. Overall this is described as a shift away from a structural perspective towards a individualization of the labour market position of this group. There is also a tendency to stress things such as personal motivation, as individuals became more involved in and responsible for their own activation process (Rafael Lindquist, interview; Sonja Wallbom, interview).

#### *Older workers*

In spite of the new anti-discrimination law implemented in 2009, covering age (defined as the length of life) as a grounds for discrimination, negative attitudes towards older workers are still shown to be a common occurrence (Kadefors & Johansson-Hanse, 2012). Attitudes have not improved significantly over the past decades and negative attitudes are a barrier for older people who wish to remain in or return to work. Positive aspects of aging, such as increased knowledge, experience, social skills, reliability and accuracy are not necessarily taken into consideration. Rather, the chronological age of a worker often work as a signifier of poor work capacity. A report from the Equality Ombudsman (Equality Ombudsman, 2012) confirms the discrimination of older workers on the Swedish labor market. This mainly occurs in the recruiting process, but also takes place in the decisions to lay people off, and when setting wages. Older workers are also to a lesser extent than younger workers provided with opportunities to enable qualification and development. Although the report showed there to have been an improvement in the attitudes towards older workers it also highlights the fact that there is a lack of knowledge on the extent and forms of age discrimination in Sweden (ibid.)

### **Table 3: National data on employment and unemployment for elderly in Sweden 2009 - 2013**

Indicators	Unemployment rate, age: 55-64	Employment rate, age 55-64	Inactivity rate, age 55-64	Temporary employment as % of total employees, age: 55-74	Part-time employment as % of total employment, age: 55-74
2009	5,3	70,0	26,1	8,0	33,0
2010	5,8	70,4	25,2	9,1	33,6
2011	5,2	72,0	24,0	9,8	33,6
2012	5,2	73,0	23,0	9,7	33,1
2013	5,1	73,6	22,5	10,4	32,4

Source: Eurostat

### Youth

The position of youth on the labor market in 2012 was 23.7 percent (Oscarsson, 2013). Compared to the years just after the crisis, 2008-2009, the unemployment figures among youth rose quite steeply from around 18 percent in 2008 to roughly the same unemployment rate in 2009 as in 2012. In other words, while the unemployment figures showed a significant increase just after the crisis, attempts to decrease the unemployment rate among young haven't proved very successful over the past 4-5 years. It should however be noted that part of the steep rise in unemployment seen after 2008 continued on to finally peak in 2010 after which time there has been a slight decline in the figures. As previously noted, the unemployment figures have undergone a change in how and what to categorize as within or outside of the labor force as well as being labelled unemployed or employed. This naturally affects unemployment figures in the national labor force surveys (ibid).

**Table 4: National data on employment and unemployment for youth in Sweden 2000 - 2013**

Indicators	Unemployment rate, age: 15-24	Employment rate, age 15-24	Inactivity rate, age 15-24	Temporary employment as % of total employees, age: 15-24	Part-time employment as % of total employment, age: 15-24
2009	25,0	38,3	49,0	53,4	49,3
2010	24,8	38,8	48,4	56,7	49,6
2011	22,8	40,9	47,0	56,8	47,3
2012	23,6	40,2	47,4	55,7	48,5
2013	23,5	41,7	45,5	55,8	48,6

### Youth not in Employment, Education or Training

Since 2007, the Swedish Working group on youth in the labour market has published annual reports in the area of youth not in education employment or training. Several things are valuable to point out concerning the position of this group in the Swedish context. One of the things that became clear in the

report from 2013, is that there are substantial local disparities in terms of how and to what extent the different municipalities are working with this specific group of young people. It could also be established that the prevalence of young people in this situation is higher in neighborhoods characterized by lower socioeconomic standards.

## Trends in policy responses

Giving a first overview over the policy responses we find mainly general reforms not reforms specifically targeted at vulnerable groups. A roughly similar number of policies concentrated on youth, immigrants and disabled whereas only a few reforms focus on older workers.

Going through the identified policy response and reforms introduced from the year 2000 – 2013, we have identified some trends in terms of the direction and character of these responses. The identified categories are based partly on those presented by Obinger (2012), but also by trends specific to the national context and based on well-known categorizations of social and labour market policies.

As the most obvious trends in Sweden, we identified the work principle, incentives geared towards employers; policies that changed the way of delivery and least frequent risk prevention.

### Reforms that stress the work principle (labour supply)

- **(sticks)** cut backs in passive schemes, lower benefits rates, increasing eligibility requirements (pension scheme 2001, merger of disability and sickness scheme 2003, UIB scheme 2007, work and developmental guarantee 2007, job guarantee for youth 2007, rehabilitation chain 2008)
- **(Carrots)** reward regular employment (pension scheme 2001, earned income tax credit 2007 ff, tax reduction on construction and renovation work and domestic work 2008, SFI bonus 2009/2010, job stimulants in social assistance 2013)
- **(investment)** work place introduction for immigrants 2005, public authority trainee ships 2005, secured employment for people with disabilities 2006, job guarantee for youth 2007, establishment reform for newly arrived immigrants 2010)

### Incentives directed towards employers (labour demand)

- **(carrots)** in form of wage subsidies or lower employer fees (entry recruitment incentive 2007, Newstartsjob 2007, SIUS 2007, lower employer fees for young 2007, 2009 and older worker 2007, tax-reduction in VAT in restaurant and catering industry 2012 youth 18-25))

- **Lowering requirements for hiring** (ALVA 2007, law on labour market migration 2008, changes to Employment Protection Law (LAS) for older workers 2010)

### Risk prevention

- **Avoiding dismissals:** Providing resources for avoiding dismissals (temporary grants for municipalities 2009/2010, short time work 2009/2010,
- **Investment:** high school reform 2011, more resources to universities, vocational introduction

### Policy delivery

- Introduction of **new actors**, mainly private actors (LOV 2008, alternative efforts 2006-2010, complementary actors 2007,2010)
- **Streamlining** and standardization (new agency PES 2008, sick leave guidelines for 2005, 2007)
- **Coordination** (FINSAM 2004)

In the following sections we will describe these trends more in detail.

### Work principle

Activating labour market policies is as already mentioned not a new phenomenon of Swedish labour market policies. A salient feature of Swedish welfare policy is extensive state intervention in the market sector designed to redirect production and sustain full employment. Active measures have traditionally served to facilitate the transition of individuals from one sector to another and the term “work principle” describes the emphasis on providing the unemployed with training and education rather than with passive financial hand-outs. The work principle has however been subject to differences in focus and resulted in various policy reforms and innovations. During the 21<sup>st</sup> century three prominent directions of reforms supporting the work principle or supply-side oriented reforms can be identified.

A first one involves initiatives as cut backs in passive schemes, lower benefits rates or increasing eligibility requirements; thus making the receipt of benefits less attractive (**sticks**). To these reforms the pension reform from 2001 (Pensionsreformen) can be counted that lowered the general gross compensation rate for a given pension age, which was assessed to be a significant incentive to make people work longer in order to receive the same pension or higher. Another example is the merger of sickness and disability insurance in 2003 that aimed at reducing the number of sickness benefit recipients. High attention received the amendments in the Unemployment Insurance Act from 2007 (*Lag om ändring i lagen (1997:238) om arbetslöshetsförsäkring (SFS 2006:1546)*). This reform implied a

lowering of benefit levels, a reduction of benefit duration, increased eligibility requirements and a new system for controlling and sanctioning. It also implied raised union membership fees. The intention of the government with the work and development guarantee (*Förordning 2007:414 om job och utvecklingsgarantin*) was to offer a more efficient way to integrate long-term unemployed into the labour market. The guarantee is an obligatory program for long-term unemployed (divided into 3 steps), involving private actors as a complement to the PES. In what way the guarantee is experienced as a stick or carrot varies a lot as well as the content and quality of measures, the procedure in terms of control, sanctions, meetings with coaches and so on. However, compensation is lower than unemployment benefit. Also the youth guarantee involves a strengthened work incentives by quicker reducing benefit compensations. Both guarantees are nowadays the largest measures within ALM policies. The so called rehabilitation chain was introduced in 2008 (*Rehabiliteringskedjan*) as an effort to decrease the number of people with sickness or activity compensation and to change the assumed passivity build into the system. The means introduced were among others a time limit and a strict formalization of the assessment procedure. In general, reforms in that category are directed towards recipients of sickness and unemployed benefits. During their election campaign in 2006 the right wing parties (later government) introduced successfully the idea of these two forms of compensations associated with passive welfare rather than a right-based social security benefit.

**Carrots** were mainly used when rewarding regular employment and encouraging further employment. Here again the pension scheme is an example (*Pensionsreformen*). Besides the above named lowering of the compensation rate the reform also included a flexible pension age, removed the upper age limit for pension and raised the minimum age from 60 to 61 (of course this can also be interpreted as a stick). One of the most obvious reforms rewarding employment is the earned income tax (*Jobbskatteavdrag*) that was introduced in 2007 and lowered tax on income from work or active business. The EITC was further expanded in the following years 2008, 2009, 2010 and 2014 widening the gap between those with regular work and those without. The reform marked also a departure from the principle applied in the past that labor income is taxed in the same way as social transfers; tax on pension and social security, as sickness, maternity and unemployment benefits are not covered by the tax credit. Regular employment is further rewarded through additional tax reductions. Tax reduction on construction and renovation work and domestic work (*RUT och ROT avdrag*, introduced in 2008) were used as a means to stimulate employment; but is only available for those in regular employment. Reward or carrot in a slightly different way is the bonus for language proficiency training (*SFI bonus*). The bonus is granted to newly arrived immigrants who pass the language course within one year of having started. The tax-free bonus is a maximum of 12000 SEK. Also the new job stimulants for long-term social assistance recipients (2013) implies an incentive to look more actively for work (*Jobbstimulans inom det ekonomiska biståndet*). For those who have received social assistance for six consecutive months, 25 per cent of income from employment is not considered when assessing entitlement to financial assistance.

A third line of the work principle concerns **investment** in human capital. This type of program is more specifically geared towards vulnerable groups, mostly immigrants, disabled and youth. Of course, language proficiency training for newly arrived immigrants is an investment as is the work place

introduction for immigrants introduced in 2005 (*arbetsplatsintroduktion*). This applies to newly arrived immigrants over 20 years of age, with none or limited work life experience on the Swedish labour market. The employee receives a regular wage. A specially appointed agent from the PES provides support to the employee and employer and the position is granted for 6 months. In the same year a traineeship position was introduced also for newly arrived immigrants above 25 years of age with limited work experience (*Prova-på-platser*). These positions can be appointed within private or public workplaces and can last for a maximum of 3 months. Since 2013, also for unemployed with a reduced working capacity, public authority internships for disabled persons (*Statlig praktik för funktionshindrade*) exist. This measure is directed toward disabled and unemployed persons, and entails a 6-month internship at a higher level of a public authority office. This measure can be described as more of a focused human capital investment, providing people with disabilities, who are underrepresented in these types of positions with the experience and training of what holding such an employment entails. The program is not conditional to a certain type of benefit, or mandatory if or when assigned. The trainee is financially compensated through activity compensation during the time of the internship. This is a short-term program running from 2013-2015. It is a direct response to a report on disabled peoples position on the labour market, which called for action concerning the fact that people with disabilities virtually never held higher positions in companies and public offices or authorities. Based on the brief time period for this program, and the limited 6 months of training this cannot be described as a social investment, it is however an activation measure first and foremost aimed at developing the competence and experience of unemployed people with disabilities and in that respect a form of human capital oriented activation policy. Concerning young unemployed, a job guarantee for young people, 16-24, (*Jobbgaranti för unga*, 2007) has the aim to reinforce job-search activity, followed by a matching process and complemented with reinforcing efforts such as training or education. Finally the establishment reform (*Etableringsreformen*, 2010) was introduced to provide the best and quickest possible way of helping newly-arrived immigrants to enter the Swedish labour market. After having been granted a residence permit, an establishment plan shall be formulated mapping out the competences and preferences of the individual. The next 24 months should contain: SFI, social orientation and other social and/or labour market preparatory measures. The individual is guided by an establishment-counselor and may also be granted establishment benefits upon relocating or finding a steady residence.

### **Work principle: pre and post crisis**

Summarizing reforms in that category reveals that the majority has been carried out before the crisis, some in connection to the shift of government and only a few after the crisis. Of these, the rehabilitation chain can be seen as following but strengthening an earlier started policy. The SFI bonus is not a large reform covering many unemployed, and the job stimulants in social assistance 2013 is rather new and does not have received a lot of attention.

- cut backs in passive schemes: pension scheme 2001, merger of disability and sickness scheme 2003, UIB scheme 2007, work and developmental guarantee 2007, rehabilitation chain 2008

- reward regular employment: pension scheme 2001, earned income tax credit 2007 ff, tax reduction on construction and renovation work and domestic work 2008, SFI bonus 2009/2010, job stimulants in social assistance 2013
- investment: work place introduction for immigrants 2005, public authority trainee ships 2005, secured employment for people with disabilities 2006, job guarantee for youth 2007, establishment reform for newly arrived immigrants 2010

### Incentives geared towards employers

A second prominent trend identified in Sweden is incentives directed towards employers and involve demand -side oriented reforms.

Several reforms have been introduced to encourage employers to hire benefit recipients or people belonging to vulnerable groups. This is done through wage subsidies or lowering employers' fees (carrots). A difference compared with earlier wage subsidies is that these now are geared at unemployed far from the labour market. The Entry Recruitment Incentive (2007), *ERI (Instegsjobb)* is a form of subsidized employment program aimed at newly arrived immigrants. One of the conditions is that the employee attends language proficiency training and that the employer allows time absent from work in order to attend classes. This program is first and foremost an activation measure aimed at quickly getting newly arrived immigrants a job through a demand-side oriented labour market policy promoted as beneficial for the employer who gets cheaper labour force. *New Start job (Nystartsjobb, 2007)* is a program targeted at different groups far from the labour market (newly arrived immigrants, youth, long-term unemployed). In a similar manner as above, the employer is remunerated by the Public Employment Service. For this measure, however, the remuneration is in the amount of double the usual payroll tax for the employee. The payroll tax lies outside of the wages and is used to finance the public social insurance system. New start jobs are directed toward anyone between the age of 21-26 having been fulltime unemployed for at least 6 of the past 9 months. *Cut payroll tax (Sänkt arbetsgivar-avgift för unga, 2007)* is a reduction in social fees for the employer when hiring a young person (19-25): in 2007 11% reduction, in 2009 an additional 6 % reduction. In 2006 the age limit to all employees was broadened to include all young under the age of 27. Another reduction of social fees concerned older workers over 65 (*Sänkt arbetsgivar-avgift för äldre*), also this reform was introduced in 2007. Finally, in 2012 a tax-reduction in VAT in restaurant and catering industry including youth 18-25 was implemented. The intention was to give employers resources to expand and employ young people. Yet, more recent evaluations showed that the number employed people after the reform was rather low.

A second type of employer incentive concerns labour regulation for hiring. Here some reforms focused on lowering requirements, such as e.g. the possibility to use temporary employments. In 2007 the Swedish law on labour protection, stipulating regulations to the length of which an employer can make use of a temporary employment (so called ALVA, *Allmän visstidsanställning*), and at which point the employer is then required to offer a permanent position were altered so as to allow general temporary



employments for a total of 2 years during a 5 year period. Since 2007, there are four types of temporary employment: general fixed-term employment, temporary employment (vikariat), seasonal and temporary employment of persons over the age of 67, and in addition a trial period of up to six months (provanställning). The novelty of the 2007 reform was the introduction of the general temporary employment where the employer does not have to justify why the appointment should be temporary rather than indefinite. If a fixed-term contract lasts longer than two years, it automatically turns into a permanent position. Another change in regulation concerned labour migration (*Arbetskraftsinvandring*) (2008). New rules for labor immigration were introduced that allowed people from outside the EU / EFTA to come to Sweden to work if they are offered employment in an occupation where there is a temporary shortage of labor or are participating in an international exchange. One of the changes in that law is that according to the government, it is the individual employer who has the best knowledge of the recruitment needs that exist in their own branch. Thus, the employer's assessment of whether there is a need to recruit from abroad is now the starting point in proceedings for a residence and work permit; earlier it was the National Labour Market Board that made the assessment. At the same time, the new procedure weakens the influence of the union confederations, which previously were in charge of assessing whether there was a need for labour in the branch in question and that the contract followed union standards in terms of pay and working conditions. This was to assure that migrant-workers were not exploited as cheap labour was simultaneously crowding out employment opportunities for Swedish workers. According to the new legislation, the migration office has no legal possibility to check up on or assert that the conditions in the employment offer is in effect as presented to the migrations office by the employer. The OECD (2011) carried out an evaluation and stated that "Despite the very open nature of the new migration system, there has been no massive increase in inflows, whether overall or of lesser-skilled migrants. In addition, it was stressed that only about 50% of recruitments are for occupations that are listed on the shortage list and it was questioned why so many occupations not on the list are being recruited for. In early 2012, three years after the labor market reform took effect the Migration Board tightened the requirements for work permits in certain sectors, to prevent the exploitation of people. A last example is changes in the Employment Protection Law (LAS) for older workers, implemented in 2010. The previous double counting of years of employment for workers above the age of 45 that should protect them from dismissals because of age was abolished in 2007. It was assumed that this rule would make it more difficult to re-employ older workers.

### *Incentives geared towards employers: pre and post crisis*

Most of the reforms described in this part were introduced before the crisis hit Sweden; actually most of them with the right wing government taking office in 2007. Only tax-reduction in VAT in restaurant and catering industry 2012 and changes to Employment Protection Law (LAS) for older workers 2010 were implemented after the crisis. Of these, the reform geared at young people was a reaction on the high unemployment among young people.

- wage subsidies or lower employer fees (entry recruitment incentive 2007, Newstartsjob 2007, SIUS 2007, lower employer fees for young 2007, 2009 and older worker 2007, tax-reduction in VAT in restaurant and catering industry 2012 youth 18-25))



- Lowering requirements for hiring (ALVA 2007, law on labour market migration 2008, changes to Employment Protection Law (LAS) for older workers 2010)

### Risk prevention

A third trend in policy reforms is risk prevention, also that coming in different ways. Risk prevention can be about avoiding dismissal, avoiding becoming unemployed and seeing employment in a longer time perspective. One of the responses to the crisis which took place at local level was the introduction of short-time work (*korttidsarbete*) in certain branches. This meant that in order to save jobs there was a general cut in working time among the staff so as to protect the employees from unemployment. These types of employment solutions were introduced via local agreement between the union and different branches of industries. As a policy response it clearly builds on the protection of insiders, but is unevenly distributed across the country and also does not per se imply any disregard for the protection of outsiders in national labour market policy. Most of the agreements signed during the financial crisis were held within the time period from March 2009 to March 2010. By limiting the period in which the system is active, the companies are forced to decide whether bridging action to a long term solution or if notification of termination is a better option. Another reform categorized as risk prevention is a temporary governmental grant directed at the municipalities (2009-2010) (*Statlig anslag till kommunerna*). In order to counteract the effects of the financial crisis and to safeguard welfare services, local government received temporary government grants in 2010. In addition to the contributions, a permanent increase in the level of governmental grants was made from 2011 and another temporary increase in 2011. The intention with the grants was to prevent cutbacks in the employment sector and thus to discourage local governments to act pro-cyclically and deepen the recession even further. Important in this context is however, the so-called *balanced budget* that municipalities are obliged to set up, e.g. revenues must exceed costs. The balanced budget means that local opportunities to conduct stabilization policy are very limited because municipal tax revenues fall when the economy is weak. In order to meet the balance requirement, a municipality is forced to make savings in an economic downturn. An evaluation assessed that taken together, the temporary grants have saved about 8 500 jobs in the local government sector in 2010. Yet, the long run level of employment is not assessed as having affected by the temporary government grants.

Risk prevention can also be about avoiding unemployment. With the prospect of quickly raising employment the government decided to provide additional places for vocational education after secondary level (*yrkeshögskola*, 2009) and vocational courses at secondary level in municipal adult education (*yrkesvux*, 2009). The measures were however criticized as not sufficient given that unemployment forecasts for 2009 have been revised up from 7.7 percent in January to 8.9 percent in the Spring Fiscal Policy Bill. As the NIER stated, "it is surprising that the government does not increase the extent of labor market training, but instead only focus on more education in the regular education system" (The National Institute of Economic Research, NIER 2009).

Risk prevention can also have a longer time perspective. Here, the education reform of upper secondary education (*Gy11*) is one of the most prominent examples, where changes to the different upper secondary education programs have been introduced aiming to provide a better opportunity for direct employment after graduation. The upper secondary school reform was introduced in 2011 and covers changes of the 18 national programs provided. The main aim of the reform was to extend the vocational programs by increasing the available spots, introducing more options and increasing the time of actual training in workplaces. A problem however was that reform was introduced as an alternative for youth who were tired of studying and more interested in quickly gaining employment. For this reason the vocational training programs are also no longer high school preparatory – yet, this argumentation also made that employers are so long not very interested in that target group. Whether or not this risk prevention will be successful in the long-term is too soon to say as it has only been in place for 3 years. The vocational programs have however, so far not had as many applicants as hoped and prepared for. Part of the reforms to the upper secondary education was the introduction of a vocational training introduction option (*Yrkesintroduktion*). This is directed toward students who do not have sufficient grades to get into any of the vocational training programs. Vocational training introduction can be provided by a local upper secondary school provided there are enough applicants to form a class. In other cases the school together with the municipality decides upon a form for providing the program to the student.

Another type of risk prevention – also with a long-term perspective is to provide protected employment geared mostly towards disabled unemployed. Security employment (*Trygghetsanställning*) for disabled persons who are not able to carry out any type of regular employment were introduced in 2006. For disabled persons with reduced working capacity, since 2007, the possibility of supported employment (*SIUS*) exists.

### ***Risk prevention: pre and post crisis***

Initiatives to avoid dismissal and to avoid unemployment have a direct connection to the crisis starting in fall 2008. Yet, the government's action plan generated widespread criticisms from the country's major actors, which claimed that the package is not sufficient for reducing the effects of the economic recession. Such criticisms were put forward by the government opposition parties, along with trade union organisations such as the Swedish Confederation of Professional Employees (Tjänstemännens Centralorganisation), the Swedish Building Workers' Union (Svenska Byggnadsarbetareförbundet), but also the employer organisation the Confederation of Swedish Enterprise (Svensk Näringsliv), the National Institute of Economic Research (Konjunkturinstitutet,) and representatives from the country's different banks. Another type of responses to the crisis happens at the local level, the social partners made departure from collective agreements; unions and social partner at different branches introduced short-time work and part-time layoffs. This initiative is assessed of several of our experts as innovative. Another example is the previously mentioned introduction of a vocational training introduction option, directed toward students who do not have sufficient grades to get into any of the vocational training

programs. Vocational training introduction can be provided by a local upper secondary school provided there are enough applicants to form a class. In other cases the school together with the municipality decides upon a form for providing the program to the student.

- **Avoiding dismissals:** Providing resources for avoiding dismissals (temporary grants for municipalities 2009/2010, short time work 2009/2010)
- **Investment:** high school reform 2011, more resources to education, vocational introduction
- **Protected employment:** Security employment (Trygghetsanställning) 2006, supported employment (SIUS) exists

### Changes in organization and policy delivery

One of the changes of the past decade concerned the organizational structure, or more specific policy implementation and delivery. It is important to note however, that these reforms are mainly the result of changes in political office rather than as a response to the financial crisis.

There has been a major trend in introduction of private options for delivery of social and labour market services. Act on free choice systems (*lag om valfrihetssystem, LOV*), 2008. The act came into effect in 2009, facilitating the introduction of consumer choice models without a process of competitive tendering and procurement. The act is intended to function as a voluntary tool for municipalities and county councils that want to introduce consumer choice in services provided in-house. The proposed act is an alternative to the Public Procurement Act (2007:1091) and can be applied to health care services and social services. LOV can be applied for basically all social services, home based as well as residential, including those provided in accordance with the Social Services Act, the Act concerning Support and Service for Persons with Certain Functional Impairments (LSS) and the Health and Medical Services Act (HSL)

The ordinance on complementary actors, 2007, 2010 (*Förordning om kompletterande aktörer*) was introduced in 2007. The Swedish Public Employment Service was commissioned by the Government to purchase private employment services (as complements). In the Government's assignment (budget documentary) for 2008 is stated that the Employment Service shall guarantee external actors function as complements in the activities the Public Employment Service performs. It is emphasized that the other actors' knowledge and competence is important to help unemployed finding jobs, especially with respect to young unemployed. In addition, matching of the employed should be improved and social exclusion avoided. The goal was that job seekers should be offered a more diversified range of brokerage services. Complementary actors are supposed to offer personal guidance and support based on each participant's needs. There are four services that are procured in the system of choice; job coaching, introduction guide, employment locations and coach over the threshold. Complementary

actors should be responsible for one third of all participants in the two big programs (job guarantee for youth and job- and development guarantee). Coaching measures should also be procured for new arrived immigrants, long-term sick and new unemployed. As already mentioned above, comparisons between private and public actors did not reveal a clear picture.

A second trend is about streamlining and standardization. Both the Public Employment Service (*PES*) and the Social Insurance Agency (*SIA*) have been centralized (2008) and have a more pronounced top-down model of governance. Streamlining has also occurred by the introduction of sick leave guidelines for 2005, 2007 (*Riktlinjer för Sjukskrivningar*). The guidelines prescribe appropriate periods of sickness absence for the various medical conditions that account for approximately three quarters of the sickness leave taken in Sweden. The NBHW guidelines are intended to make the medical decision-making process for granting sick leave more homogenous and transparent, and to minimise the awarding of inappropriately long sick leave. Also the rehabilitation chain (*Rehabiliteringskedja*, 2008) has the aim to standardize assessment procedures.

A third type of organizational reform concerns the cooperation between several agencies around a joint target group. With *FINSAM* the National Insurance agency, Swedish employment agencies, counties councils and municipalities have the opportunity to jointly pursue rehabilitation with financial coordination.

### *Changes in organization and policy delivery: pre and post crisis*

Two of the reforms in that category were implemented after or in times of the crisis.

- Introduction of new actors, mainly private actors: Act on free choice systems (lag om valfrihetssystem, LOV), 2008, alternative efforts 2006-2010, complementary actors 2007,2010)
- Streamlining and standardization (new agency PES 2008, sick leave guidelines for 2005, 2007, rehabilitation chain)
- Coordination (FINSAM 2004)

### **Overarching trend and what is innovative?**

Seeing this presentation in the light of the classification introduced by Obinger (2012), the impact of the reforms in labour market policy in Sweden can be discussed in terms of dualization (or polarization). Dualization of labour markets typically means the differential treatment of those who are unemployed and those who are employed. Sweden has typically had smoothed dualization policies but in more recent years policies that reward those inside the labour market and punish those outside had been implemented. Weaken unions may in the long run also contribute to sharpen the divide between those two groups.

Which if the reforms can then be assessed as innovative? Most experts assessed the policy responses as “more of the same”. Yet, several experts pointed to the responses to the crisis from social partners as innovative. As described in WP2, the social partners made at the local level departure from collective agreements. The unions and social partners from different branches introduced *short-time work and part-time layoffs* (the possibility had already existed in the 1970 but were than abolished). E.g. IF Metall<sup>1</sup>, the employers’ organisation for engineering companies (Teknikföretagen), The Swedish Association of Plumbing and HVAC Contractors (MetallgruppenochIndustri- och kemigruppen) reached an agreement on a framework for layoff and training. The agreement was valid until 31March 2010 and has a notice period of three months. The main argument for the unions was of course to avoid mass unemployment and to handle short-term crisis. Mats Essemyr, labour market expert from TCO, described the agreement as a formal two-parts agreement with an involvement of the government. He also pointed out that these local solutions would not have been possible without the approval from the Central Organization (see WP3 reform short-term work). The previously mentioned, vocational training introduction can also be seen as part of the innovation-trend. This option, directed toward students who do not have sufficient grades to get into any of the vocational training programs, aims at creating a way into vocational training with the hope of a swift labour market entry after upper secondary school for all student, including those lacking sufficient grades from elementary school.

## The issue of labour market resilience

After the financial crisis, unemployment in Sweden stuck at around 8 per cent of workforce. The financial crisis led to an increased unemployment by about three percentage points from mid-2008 to mid-2009, employment rates fell by more than three percentage points, while the labor force participation was only marginally affected. From the end of 2009, we could see a period of relatively stable increase in both labor force participation and employment and at the end of 2013, the labor force participation was higher than it was before the financial crisis and the employment rate had reached about the same level as before the crisis. In contrast, unemployment has decreased at a relatively slow pace and was by the end of 2013 approximately two percentage points higher than the level before the financial crisis (Holmlund et al 2014). Summarizing this presentation of policy responses and reforms carried out between 2000 and 2013, a stricter promotion of the work principle and incentives for employers to hire unemployed are the most dominant trends. Another one is that most reforms did not occur as a reaction of the crisis but as a reaction of the shift in government 2006/07. This has of course implications for the issue of labour market resilience.

Providing evidence of single programs is important but can sometimes be misleading. It is important to take into consideration that programs can have various direct and indirect effects on various outcomes

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<sup>1</sup>IF Metall is a trade union for workers in mechanical engineering and plastics, pharmaceuticals, textiles and clothing, ironworks and glassworks, building materials, mines, vehicle repair and in sheltered employment. The union organizes over 350,000 members at nearly 12,000 workplaces all over Sweden.

(e.g. crowding out effects). In addition, programs focus on various target groups, are often small-scale and are performed under different economic circumstances.

### **Positively impacting factors**

There is a difference in policy measures aimed at creating more jobs in general, and those aimed at getting particular vulnerable groups on to the labour market via participation in different programs. In general, evaluations from labour market policies of the 21st century indicate that subsidized programs (such as the Entry Recruitment Incentive, New Start jobs and apprenticeships for people with disabilities) are most likely to succeed when they resemble ordinary jobs. A potential problem with the programs most similar to ordinary jobs is that there is evidence that these programs also tend to be the programs most associated with crowding out ordinary jobs. An evaluation of new starts job showed that the measure increased labour market participation and decreased unemployment (program is directed towards a broad group of people, however, those who used that program had a somewhat higher education level than other long-term unemployed, men are overrepresented as are immigrants from non-european countries.)

Regarding programs and policies for unemployed youth, studies indicate that in spite of negative direct results of mandatory job guarantee programs (lock in effect), these may have had an indirect effect of increasing the job search activity of young people in order to avoid being appointed a labour market program in order to receive benefits (ibid). Programs intensifying job search assistance within the workplace introduction for immigrants seem to result in an increased inflow in work training for the target group and better chances to enter the labour market (Johansson and Åslund 2006, Andersson-Joona and Nekby 2009).

### **Negatively impacting factors**

In general the least successful programs are as mentioned those least resembling ordinary employments (ibid). Many of the programs are evaluated in terms of created jobs versus costs for the program, revealing that at best positive results that are quite small. Some programs, which have so far had negative impacts, are the language proficiency-training bonus (SFI-bonus), which was discontinued after only a few years due to lack of impact on the success rate and completion of language proficiency training among immigrants. Partially this was revealed to be a consequence of the program being deemed too difficult to succeed in. Therefore time was seen as better spent looking for a job/working as the likelihood of receiving the bonus was considered very small (Engdahl & Åslund, 2012). This speaks to the fact that the motivation among immigrants was not the core issue, but rather the possibility of succeeding. In other words the measure was incorrectly targeted. The vocational training programs of Gy11 have not yet been possible to evaluate in terms of the likelihood of gaining employment after completion. However, what evaluations of the first graduating classes in 2013 have shown is that there are substantial problems with quality in terms of cooperation between schools and employers, as well as providing a coherent education as a whole (Skolinspektionen, 2012). There has also been a

substantial overestimation of how many pupils would apply for the program. In addition around 40% of students dropped out after the first year (Parliamentary bill, 2013). Evaluations show that one of the factors behind dropouts is the misperception that the education is directed toward students with low motivation or interest in studying, whereas the reality is that the education is merely more practice oriented (Skolinspektionen 2013). These two examples illustrate how the architecture of different programs can have a negative impact on the resilience of the labour market if the problem at hand is not correctly identified.

## Indifferent results

The impact of several large programs is not clear. Evaluations of the job and development guarantee 2007 showed for example a mixture picture: the government got critic for not governing the program efficiently, the national PES administration failed in the administration of the program and the program was assessed as not suitable for the mass of unemployed. Other evaluations show better results for those unemployed participating in programs provided by private actors, others did not find a difference.

The earned income tax was and is a costly reform and the Swedish government's main strategy to get more people into work. Several evaluations have been performed: e.g. by the Ministry of Finance, by the Institute for labour market evaluation (IFAU) or by the National Institute of Economic Research (NIER). The Ministry of Finance e.g. estimated the effects of the first four steps in the long term leading to an increase in employment of about 100 000 people and the number of hours worked increasing with corresponding approximately 120,000 full-time equivalents. The researchers from IFAU however, are more cautious saying that the way the reform was implemented makes it impossible to say anything reliable about its effects. The reason is that there are no groups that are unaffected by the EITC and thus can be used as control groups in the evaluation.

Also effects of the temporary grants for municipalities show a mixed picture. There is no evidence indicating that the temporary grants affected investments by the local government sector in 2010 to any substantial degree. The NIER makes the assessment, on the basis of a survey conducted by the Swedish Agency for Public Management that the temporary grants led to an increase in local government consumption in 2010. In particular, expenditure on intermediate consumption increased substantially. Taken together, the temporary grants are estimated to have saved about 8 500 jobs in the local government sector in 2010. The long run level of employment is not affected by the temporary government grants.

No clear empirical evidence exists when it comes to the impact of organizational changes in policy delivery. Only some small studies have been performed evaluating the role of private actors in labour market policy and they do not show that private actors are more efficient in helping unemployed to enter the labour market than public actors.

## Challenges ahead

Apart from the challenges mentioned earlier and in WP2 as youth unemployment and the difficulties for immigrants to enter the labour market; the demographic changes in Sweden with the large cohorts of the 40's retiring, not only implies an increased demand in labour in order to fill these gaps but also in health-care regarding the needs of this segment of the population as they grow older. Another challenge regards the depletion of labour in smaller towns, which are facing great problems in terms of dropping tax revenues as more and more people leave for jobs or studies in larger cities. Both of these challenges reflect structural labour market issues. First in terms of matching the competence of youth today with the needs in sectors which will be losing manpower or need to expand over the coming decades, second in terms of stimulating job growth in smaller cities so as to create incentives for their residents not to relocate.



## Overview of reforms categorized by policy areas

Reform	Target group	Year	General Info
<b>General reforms</b>			
Earned income tax credit, EITC ( <i>Jobbskatteavdrag</i> )	All those with regular employment	2007	Was introduced in several steps
Unemployment insurance reform	All those in the workforce	2007	Lowering of benefit levels, reduction of benefit duration, increased eligibility requirements, raised the cost of unemployment fund insurance as well as the union membership fees.
ALVA employments ( <i>Allmän visstidsanställning</i> ALVA)	General population	2007	The law on employment protection was altered so as to allow general temporary employments for a total of 2 years during a 5 year period.
RUT ( <i>Rengöring, Underhåll</i> Tvätt)	Everyone in the labour force	2007	Tax reduction on domestic services. 50% of the cost up to 100 000 SEK worth of services purchased per year. Idea is to generate more business and thereby increase job opportunities.
ROT ( <i>Reparation Ombyggnad Tillbyggnad</i> )	Everyone in the labour force	2008	Tax reduction on construction and renovation work. 50% of the cost up to 100 000 SEK worth of services purchased per year. Idea is to generate more business and thereby increase job opportunities.
Ordinance on complementary actors	Public employment service	2007, 2010	The Swedish Public Employment Service was commissioned by the Government to purchase private employment services.
Law on labour migration ( <i>Lag om arbetskraftsinvandring</i> )	Non-European labour force	2008	Employers who can produce an employment offer for non-European employees specifying working time and pay, and have this offer be approved by the migration office may bring/hire these employees.
Budget increase for labour market	Unemployed	2008-2011	Spending on active labor market policies, including employment office's

measures			administrative costs, increased from 16 billion in 2008 to SEK 25 billion in 2009 and to 37 and 42 billion in 2010 and 2011.
LAV /LOV (Lag om valfrihetssystem)	The law is intended to serve as a voluntary tool for local governments that want to try competitive business by delegating choice of provider to the user / inhabitant. General population	2008	Regulations on which private actors delivering services on behalf of an authority, shall be available for private persons to choose from. The law can be applied to some areas of social services: disabled and elderly care and health care services
New agency for labour market policy, PES (Arbetsförmedlingen)	National Labor Market Administration and the 20 county labour boards	2008	The transformation of the National Labor Market Administration and the 20 county labour boards into the Swedish Public Employment Service was a change towards centralization. The motives behind this transformation were to guarantee a more efficient government, to adapt the organization to new challenges that occurred in society and to increase the quality of the organization. The Public Employment Service got a new operational focus with stronger emphasis on employment and matching.
Short time work (Korttids-arbete)	The Swedish system of short-time work means that the number of redundancies can be reduced,	2009-2010	Criteria that must be met for the system to be started is that the economic crisis is characterized by a deep drop in demand (ie it is not a structural crisis) and is being short-sighted. The system is regulated by the law of short-time work. Twelve months is the maximum time that the system can be used for a single union agreement at an individual company / worksite. The approval of the

			state and employers' and workers' organizations at the federal level is required for short-time work used in an area.
Stimulans benefits for municipalities	Municipalities	2009-2011	To reduce the impact of the financial crisis on jobs and key parts of the welfare systems; the Government proposes a temporary support of SEK 7 billion for 2010, which will be paid in December 2009. And an increase of SEK 5 billion in the central government grant to municipalities and county councils in 2011 and 2012.
Job-stimulans in economic assistance	Social assistance recipients longer than 6 month	2013	For those who have received social assistance for six consecutive months, 25 per cent of income from employment is not considered when assessing entitlement to financial assistance. Rule applies for 2 years.
<b>Sickness</b>			
Merger of sickness and disability insurance	sickness and disability recipients	2003	Disability pensions became part of the sick insurance and changed its name to sickness and activity compensation.
FINSAM	Benefit recipients with multiple needs	2004	National Insurance agency, Swedish employment agencies, counties councils and municipalities have the opportunity to voluntary cooperate in rehabilitation with financial coordination.
Sick-leave Guidelines (Published by National Board for Health and Welfare)	Sickness and disability recipients	2005, 2007	The guidelines prescribe appropriate periods of sickness absence for the various medical conditions that account for approximately three quarters of the sickness leave taken in Sweden. The NBHW guidelines are intended to make the medical decision-making process for granting sick leave more homogenous and transparent, and to minimise the awarding of inappropriately long sick leave.
Alternative efforts (private actors)	People who are long-term sick at least 2 years or receive sickness or activity	2006-2010	Swedish employment services and national social insurance agency got an assignment to examine whether private actors (on basis of performance and results) work faster and more efficiently with rehabilitation to regular work.

	guarantee .		
Development job ( <i>Utvecklingsanställning</i> )	Disabled persons (with a reduced working capacity)	2006	Development jobs are a form of adjusted work for disabled persons, which should include rehab, introduction & guidance.
Security employment ( <i>Trygghetsanställning</i> )	Disabled persons (not able to secure any type of regular employment)	2006	Security jobs are an alternative form of employment for those who have very substantial disabilities
Supported employment ( <i>SIUS</i> )	Disabled persons (with reduced working capacity)	2007	Employer & employee support during the matching-process, hiring-process, and on sight after a person has been hired.
Rehabilitation chain ( <i>Rehabiliteringskedjan</i> )	Disabled persons (who's working ability is impaired or compromised by at least 25%)	2008	Regulation of the the national insurance agency's responsibilities when a person due to sickness is not at the disposal of his or her employer and/or the general labour market.
Public authority internships for disabled persons	Disabled persons (Unemployed and with a reduced working capacity)	2013	Internship at a public authority for up to 6 months including period of introduction
<b>Immigrants</b>			
Deficit-positions training	Immigrants with higher education	2005-2005 (trial reform)	Immigrants with higher education in a field/position with employee deficits were provided the opportunity to complement their education so as to better fit the demand-profile of the field/area.
Traineeship position	Newly arrived immigrants	2005	Trainee positions can be appointed within private or public workplaces. The trainee will

	under 25, with limited work experience		receive activation compensation. The traineeship can last for a maximum of 3 months.
Workplace introduction ( <i>Arbetsplatsintroduktion</i> )	Newly arrived immigrants over 20 years of age, with none or limited work life experience on the Swedish labour market.	2005	Workplace introduction can be appointed to newly arrived immigrants over 20 years old who have limited work experience on the Swedish labour market. Work place introduction can only be appointed after participation in an introduction program. The employee receives a regular wage. A specially appointed agent from the PES provides support to the employee and employer. The position is granted for no more than 6 months.
Entry recruitment incentive, ERI ( <i>Instegsjobb</i> )	Newly arrived immigrants of working age (20-64). And those age 18-19 who arrive without parents or legal guardians.	2007	Subsidized employment of newly arrived immigrants, and the right for them to study Swedish for Immigrants (SFI) while working
New start job ( <i>Nystartsjobb</i> )	Newly arrived immigrants, Youth, Long-term unemployed	2007	subsidised employment where the employer is remunerated in the amount of double the payroll cost
Bonus for language proficiency training ( <i>SFI bonus</i> )	Newly arrived immigrants.	2009: trial in 13 municipalities. 2010: National	SFI-Bonus is granted to those who pass the course within one year of having started. The bonus is a maximum of 12000 SEK and is granted after application. The bonus is tax-free.
Establishment reform ( <i>Etableringsreformen</i> )	Newly arrived immigrants	2010	After granted residence permit, an establishment plan shall be formulated mapping out the competences and preferences of the individual. The next 24 months should contain: SFI, social orientation and other social and/or labourmarket preparatory

			measures. The individual is guided by an establishment-counselor and may also be granted establishment benefits upon relocating or finding a steady residence.
<b>Youth</b>			
Activity guarantee ( <i>Aktivitets-garanti</i> )	Youth (19-30)	2003	Financial benefit for youth 19-30 who most likely will not be able to work for at least a year, due to sickness, disabilities or other damages. Activity guarantee is granted for maximum three years at a time. Work capacity must be impaired by at least 25 %.
Development compensation ( <i>Utvecklings-ersättning</i> )	Youth (18-25 who do not meet the requirements for unemployment benefits)	2003	Youth between 18-25 who do not meet the requirements for unemployment benefits and are participating in a labour market scheme/program
Activity compensation ( <i>Aktivitets-ersättning</i> )	Youth (>25, who meet the requirements for unemployment benefits)	2003	Youth over 25 who meet the requirements for unemployment benefits and are participating in a labour market scheme/program.
Job guarantee for young people ( <i>Jobbgarantiför unga</i> )	Youth (16-24, registered at the PES for at least 3 months)	2007	Starts with a follow-up and reinforcement of job-search activity. Followed by a matching process, complemented with reinforcing efforts such as training or education
Cut payroll tax ( <i>Sänkt arbetsgivar-avgift för unga</i> )	Young people (07-09: 19-25, 09 - ongoing: <27)	2007	A reduction in social fees for the employer when hiring a young person (19-25): in 2007 11% reduction, in 2009 an additional 6 % reduction also adjusting the age limit to all employees under the age of 27.
Senior high-school reform ( <i>Gy11</i> )	Young people attending	2011	The reform covers changes of the 18 national programs provided, an increased

	senior high school.		focus on vocational training programs which are not higher education preparatory.
VAT tax break ( <i>Krogmoms</i> )	Youth (18-25)	2012	Tax-reduction in VAT in the restaurant and catering industry was implemented, the aim was to increase profits in the industry, thereby freeing up economic resources to expand businesses and employ more people
<b>Older worker</b>			
Pension reform ( <i>Pensionsreformen</i> )	Older workers	2001	Lowered general gross compensation rate for a given pension age, which was deemed to be the most significant incentive to make people work longer in order to receive the same pension or higher. The reform also implemented a flexible pension-age, as well as removing an upper age limit for pension-withdrawal and raising minimum age for withdrawal from 60 to 61.
Changes to Employment Protection Law, LAS ( <i>Lagen om anställnings-skydd, LAS</i> )	Older workers	2007	Changes to the previous counting of double time (regarding rules of dismissal) for older workers is cut, and the right to remain in employment is raised from 65 to 67.
Reduced social fees for older workers over 65 ( <i>Sänkt arbetsgivaravgift för äldre</i> )	Older workers, over 65	2007	Reduction of the social fees employers are obligated to pay for their employees, in the form of cut pension fees for older workers.

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