11. Negotiated flexibility in Sweden: A more egalitarian response to the crisis?

Dominique Anxo

1. INTRODUCTION

The Swedish model is based on a strong political commitment to the goal of full employment (see Anxo and Niklasson 2006). In contrast to other EU Member States such as France and Germany, economic downturns and structural changes have seldom been accommodated by public measures aimed at maintaining employment and favouring labour hoarding, for example by reducing working time, short-time working or work sharing. Traditionally, employment adjustments in Sweden have taken the form of external numerical flexibility, combined with active labour market policy and relatively generous income support. In line with this tradition, when confronted by the severe deterioration of the situation in the labour market, and in order to mitigate the impact of the crisis on income development and employment, the Swedish Government in 2008–2009 implemented a package of recovery and countercyclical measures, ranging from expansive fiscal and monetary policy to active labour market and educational policy.

The main objective of this chapter is to describe the patterns of employment adjustment during the current economic downturns and the role played by the Government and the two sides of industry in this adjustment process. The distinct feature of the Swedish industrial relations system and the contractual nature of labour market regulation create a favourable institutional environment for the emergence of negotiated compromises aimed at balancing flexibility and security. Sweden therefore represents a good illustration of a regime of flexicurity and negotiated flexibility, where the social partners are heavily involved not only in the shaping of labour market regulations and working conditions at the industry and local level, but also in the restructuring process during economic downturns. The second objective of this chapter is to identify and
analyse the impacts of the economic crisis on employment, unemployment, working conditions and income inequalities among various socio-economic groups, with particular emphasis on education and skill level, age, gender and ethnicity.

This chapter is structured as follows. Section 2 presents the main characteristics of the current recession and the specificity of the employment adjustment process. Section 3 investigates the policy responses and the role played by the social partners in mitigating the impact of the crisis on employment and income development. We then analyse the impact of the crisis for different age groups and gender and between natives and foreign-born people (Section 4), and the impact of the crisis on wages, income development and inequalities (Section 5). Section 6 presents the results from two case studies. Two export-oriented manufacturing companies were selected to illustrate the role played by the two sides of industry in the downsizing and restructuring process during the economic crisis. Section 7 summarizes the main findings and provides some concluding remarks.


In the wake of the global financial and economic crisis, the Swedish economy started to deteriorate rapidly in the second half of 2008. In 2009, Sweden’s GDP decreased by 5.1 per cent, the worst deterioration since the Second World War. With the severe drop in output and aggregate demand, employment has declined sharply over the past two years. According to the most recent economic forecast by the National Institute of Economic Research (NIER 2010), despite some recent signs of recovery and a tendency for employment to increase, the overall unemployment rate is expected to remain at 8 per cent in 2011, a level much higher than the Swedish equilibrium rate of unemployment (estimated at around 5–6 per cent).

As shown by Table 11.1, the decline of employment during 2009 was less than the fall in output, implying that part of the adjustment took the form of labour hoarding at the company level and reductions of working hours instead of dismissals, but as developed in more detail in the following section adjustment through a reduction of working time or other labour hoarding measures has been limited.

Sweden is a small, open economy, highly dependent on exports and
therefore very sensitive to variations in global demand. Sweden therefore exhibited some signs of a downturn in early autumn 2008, with a significant decline in newly reported vacancies, while layoff notices increased dramatically (from an average of 30,000 in 2007 to more than 115,000 in 2009). Not surprisingly, the increase in notified redundancies was particularly significant in export-oriented manufacturing industries, such as wood and wood products, machinery and motor vehicles. The financial crisis also affected insurance and real estate and financial activities, where layoff notices increased significantly (see Arbetsförmedlingen 2010).

Between 2007 and 2009, employment decreased by more than 100,000, while the unemployment rate increased from 6.2 per cent to 8.4 per cent. The fall in output and employment was particularly marked in manufacturing, with decreases of 25 and 20 per cent, respectively (see Figure 11.1), while employment increased by almost 10 per cent in the private service sector and in construction. As also shown by Figure 11.1, employment declined significantly in the female-dominated public sector, in particular at the municipality and county levels, which are responsible for social services, health and education.

With regard to Swedish manufacturing, the fall in employment (see Figure 11.2) has been particularly marked in export-oriented industries, in particular basic metal (–32 per cent), machinery and equipment (–23 per cent), manufacture of wood products (–22 per cent) and automotive (–18 per cent).

Table 11.1 Economic indicators, Sweden, 2007–2011 (forecast)

<table>
<thead>
<tr>
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<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<td>GDP, market price</td>
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<td>−0.2</td>
<td>−5.1</td>
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<td>Hours of work</td>
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<td>Employment</td>
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<td>1.0</td>
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<td>75.7</td>
<td>73.3</td>
<td>73.8</td>
<td>74.5</td>
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<td>6.1</td>
<td>8.4</td>
<td>8.5</td>
<td>8.2</td>
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<tr>
<td>Unemployment duration (weeks)</td>
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<td>25.3</td>
<td>27.9</td>
<td>−</td>
<td>−</td>
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<td>Number of participants in ALMP</td>
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<td>1.8</td>
<td>2.7</td>
<td>3.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Hourly wage, business sector</td>
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<td>3.2</td>
<td>2.3</td>
<td>2.6</td>
</tr>
<tr>
<td>Productivity, business sector</td>
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<td>−2.4</td>
<td>−3.6</td>
<td>2.8</td>
<td>2.5</td>
</tr>
<tr>
<td>Inflation</td>
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<td>2.7</td>
<td>−0.3</td>
<td>1.1</td>
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<td>Interest rate</td>
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<td>2.0</td>
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</tr>
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</table>

Note: Annual percentage change and percentage, respectively.

Source: NIER (2010).
**Work inequalities in the crisis**

![Graph of employment trends by broad sectors, Sweden, 2007–2009](image)

**Source:** Statistics Sweden (2010a).

*Figure 11.1  Employment trends by broad sectors, Sweden, 2007–2009 (2007Q1=100)*

![Graph of largest declines in employment in manufacturing industries, Sweden, 2007–2009](image)

**Source:** Statistics Sweden (2010a).

*Figure 11.2  Largest declines in employment in manufacturing industries, Sweden, 2007–2009 (2007Q1=100)*
3. POLICY RESPONSES AND RECOVERY MEASURES

3.1 Macroeconomic Policy and Labour Market and Education Measures

Over the past two years, the Swedish Government has implemented a set of measures to mitigate the effects of the financial and economic crisis on the Swedish economy. Swedish fiscal policy since the end of 2008 has taken a clearer and stronger expansionary stance. In contrast to the 1990s crisis, when the bulk of countercyclical measures essentially took the form of an increase in the number of participants in various active labour market policy programmes (ALMP), the Swedish Government has relied to a greater extent on expansionary fiscal and monetary policy to counteract the current economic recession. It is also clear that, in comparison to the 1990s crisis, the room for manoeuvre in which to conduct a more expansive macroeconomic policy was larger than previously, due to healthier public finances at the start of the economic downturn. Globally, the package of measures adopted and implemented since autumn 2008 to counteract the effects of the global crisis amounts to SEK 83 billion, corresponding to 2.7 per cent of GDP.²

3.1.1 Developments autumn 2008–December 2009

The package of measures agreed on in the 2009 Autumn Budget Bill³ was not aimed at combating the economic crisis, but was part of an overall economic policy aimed at increasing the level of employment in the long run through essentially labour supply-oriented measures, such as tax cuts and reforms of the social protection system (unemployment benefit, sickness insurance and disability pension). In the face of the drastic worsening of the economic situation, as well as the growing awareness that Sweden will experience a much more dramatic drop in output and employment, at the end of 2008 and the first half of 2009 the Government took further financial and fiscal stimuli measures. In particular, extensive investments in the maintenance and operation of the road and rail networks were decided on, in addition to the measures already announced in December 2008.⁴ As far as the crisis of the financial system is concerned, at the end of October 2008 the Government launched a guarantee programme,⁵ aimed at securing the medium-term borrowing of banks and mortgage institutions and lowering the cost of borrowing for households and companies. To protect Swedish savers, the bank deposit guarantee was raised from SEK 250,000 to SEK 500,000 in December 2008. In January 2009, the Government proposed, in order to stimulate activity and maintain labour demand in the construction sector, that work in the form of repairs, maintenance and improvement
of one-family houses and tenant housing be brought under the system of tax credits for household work.\textsuperscript{6} The Government also presented at this time a number of measures to address the crisis in the automotive sector and facilitate more rapid development of green technology.\textsuperscript{7} In the Supplementary Spring Budget presented in April 2009 and voted on by the Swedish Parliament in June 2009, the Government announced further countercyclical expansive fiscal measures to combat the crisis. These new fiscal measures covered mainly two areas: increased Government grants to municipalities and county councils and more resources for active labour market policy.\textsuperscript{8} In the 2010 Autumn Budget Bill, in September 2009 the Government presented further measures to mitigate the impact of the global crisis on employment. It decided on a further increase of SEK 10 billion in the central government grant to municipalities and county councils in 2010, as well as further investment in infrastructure (SEK 1 billion) in order to maintain and secure employment in the public sector. As far as tax policy is concerned, the Government also decided on the introduction of a fourth step in the already implemented in-work tax credit (SEK 10 billion), a reduction in social security contributions for the self-employed, a further reduction in income taxes for low income pensioners and an increase in housing benefit for people on long-term sickness and activity guarantees.

As far as ALMP measures are concerned, the volume of participants in the various ALMP programmes was gradually increased, but never attained the number of participants enrolled during the last severe recession in the early 1990s (see Figure 11.3). The difference concerns not only the number of participants, but also the composition of ALMP measures. Compared to the previous crisis, the current Government has focused more on matching measures and/or work experience and trainee schemes. Hence, the extra resources decided on in 2009 essentially took the form of labour supply-oriented measures (matching measures, job search assistance, coaching and work experience and trainee schemes). The number of participants in traditional labour market training was also slightly increased, but much less than in the previous recession.

As far as measures aimed at stimulating labour demand are concerned (job subsidies and social contribution reductions), most were planned or already implemented and would have been initiated even without the crisis and therefore cannot be considered per se as a response to the crisis. However, the funds allocated to these wage subsidies have been increased. Two exceptions are worth noting, however: the reduction of employers’ social security contributions, targeted at young people, and the increase in the compensation level of the already implemented New Start Jobs.\textsuperscript{12} All in all, the number of participants in labour market policy
programmes has increased and is expected to further increase during 2010 but, as already mentioned, less than during the previous economic crisis in the early 1990s. It should also be noted that public sector job creation has not been used in connection to the crisis, but the increase of central government grants to local governments has certainly had an effect in maintaining or limiting the fall of employment in the female-dominated public sector.

Regarding education and training policy, the Government decided to temporarily increase the number of places in post-secondary vocational training, local authority upper secondary education for adults and universities and colleges. To encourage more people to apply for secondary adult vocational education programmes, the Government’s proposal of a temporary increase in opportunities for unemployed people over the age of 25, regardless of previous education, to obtain a higher level of post-secondary student aid in 2009 and 2010 was also adopted by the Swedish Parliament in December 2009. As far as youth education measures are concerned, drop-outs from secondary school now have the opportunity, within the framework of the Youth Job Guarantee Programme, to complete their studies. In the 2010 Autumn Budget Bill, the Government therefore announced an increase of 1,000 slots in adult colleges.

As far as the unemployment insurance system (UI) is concerned, individual unemployment contributions were reduced by about SEK 50 a month, as of 1 July 2009. The Government also amended membership

Source: NIER (2010).

Figure 11.3 Unemployment rates and participants in active labour market policy measures, as a percentage of the labour force, Sweden, 1992–2009
requirements temporarily so that members of an unemployment insurance fund in 2009 would be able to count one month extra for each month of membership in 2009. In order to further facilitate joining an unemployment insurance fund, the Government simplified the admission requirements. The requirement of having worked a certain time in order to join a fund was abolished in July 2009. Another change introduced is that the unemployment contribution is now tax deductible for employed members. All these measures were aimed at reducing the negative impact of the reform of the UI system introduced in 2007. This reform implied, among other things, a worsening of the income replacement rate and an upper limit for benefit duration (300 days). Furthermore, individual contributions to the UI protection system were increased dramatically, entailing both a massive exit from the UI system during 2007 and also a decline in union membership (see Eliasson 2008; Kjellberg 2010; and Section 5).

3.2 Involvement of Social Partners in Mitigating the Impact of the Economic Crisis

The bulk of labour market regulations, working conditions and wage setting in Sweden are determined and regulated by collective agreements, and an analysis of measures initiated to combat the impact of the economic crisis on employment cannot be limited to government action. Compared to other Member States, such as France and Germany, no government recovery measures for maintaining employment by means of short-time working have been implemented in Sweden. The initiatives came instead from the two sides of industry. By way of illustration: the trade union federation IF Metall and the Association of Swedish Engineering Industries concluded a framework agreement on temporary layoffs, wage adjustments and training in March 2009. The agreement was valid until 31 March 2010, with a three-month notice period. To be valid, an arrangement had to be based on a local agreement between the employer and the union. Under the agreement, a person temporarily laid off from work must receive at least 80 per cent of their usual monthly wage. The Swedish Industrial and Chemical Employers’ Association, the Employers’ Association of the Steel and Metal Industry, the Employers’ Association of Swedish Mine Owners, the Employers’ Federation of Welding Engineering and IF Metall signed a temporary redundancy pay agreement on 2 March 2009, enabling local partners at the firm level to conclude agreements on temporary layoffs. This agreement is similar to the agreement between IF Metall and the employers in the Association of Swedish Engineering Industries. Some 400 companies affiliated to the Association of Swedish Engineering Industries have concluded such
agreements. Most of them cover both manual and non-manual workers. On average, these short-time working agreements included an 18 per cent reduction in working hours and a 13 per cent reduction in wages. The average duration of these agreements was slightly over six months.

As for wage setting, experience from the deep economic crisis of the early 1990s shows that wage moderation characterized wage developments during the second half of the 1990s and early 2000s. There were therefore strong reasons to expect that, in the wake of the current severe economic and financial crisis, wage agreements would also be concluded to preserve employment stability and limit further increases in unemployment. The outcome of the 2009 and 2010 bargaining round seems to indicate that wage moderation has prevailed in Sweden (see Section 5 for details).

As described in Anxo (2009), in cases of collective redundancy due to restructuring or individual notice due to a shortage of work, the Swedish social partners have, since the early 1970s, negotiated security/adjustment agreements to help workers to find new jobs quickly, by way of adjustment measures and financial support. These support programmes are administered by bipartite organizations: the so-called Job Security Councils (Trygghetsråd) and Job Security Foundations (Trygghetsstiftelser), specially designed for this purpose. By supplementing the role of public employment agencies, these agreements, covering about half the labour force, contribute to improving the security of employees and to enhancing matching efficiency and have played an important role in accommodating the current deep recession. Worth noticing also is that, in order to alleviate the individual consequences of layoffs and plant closures, the Government set up a plan for enhancing and promoting cooperation between stakeholders, such as the Public Employment Service, the Social Insurance Agency, the abovementioned Job Security Councils and Job Security Foundations, the European Social Funds, municipalities, companies, non-profit organizations and trade unions.

4. DIMENSIONS OF INEQUALITY IN THE CRISIS

4.1 Employment Contracts, Working Time and Education/Skill Levels

In the early phase of the recession, adjustment essentially took the form of a reduction of overtime (see Figure 11.4, upper panel) and a dramatic reduction in the number of agency workers and temporary contracts, in particular among male employees (see Figure 11.4, lower panel).

Compared to the significant drop in the overall employment level, the crisis had a limited impact on average weekly working time. Weekly
Work inequalities in the crisis

Working time in the manufacturing industry was reduced by 1.5 per cent between 2008 and 2009, implying that employment adjustment in manufacturing essentially took the form of dismissals rather than reductions in average working time among dependent employees. Both the volume of overtime and the proportion of dependent employees working overtime declined during the economic downturn, however, especially among male

Source: Statistics Sweden (2010a).

Figure 11.4  Trends in overtime and number of dependent employees with overtime (upper panel, 2007=100) and in short-term contracts by gender (lower panel, in thousands), Sweden, 2005–2009
employees. Furthermore, the share of male part-timers also increased (from a low level), explaining part of the slight decline in men’s working time between 2008 and 2009. On the other hand, average weekly working time in the female-dominated public sector increased slightly during the recession. The lengthening of working time in the public sector is partly related to the decrease in the proportion of female part-timers and also to a reduction in absenteeism.

Unfortunately, we cannot assess whether this increase in working time is due to a modification of the distribution of working time in the public sector (increase in the share of full-timers among the remaining employees, that is, a lengthening of working time) or the fact that layoffs were concentrated on female employees with part-time contracts.

As also shown by Figure 11.5, the employment decline has also been particularly dramatic among low-educated and low-skilled workers, while employment among employees with a high level of education was only slightly affected and even increased among high-skilled employees.

4.2 Age, Gender and Ethnicity

Youth unemployment, as well as unemployment among non-natives, is more sensitive to fluctuations in the business cycle and the employment
prospects of young people and foreign-born people has worsened significantly since the end of 2008. In the fourth quarter of 2009, youth unemployment rates reached 29 per cent and those for foreign-born people 16.4 per cent (compared to 7.8 per cent for natives). The dramatic increase in youth unemployment might be ascribed to several factors: first, a significant increase in the youth labour supply, a relatively larger cohort of young people entering the labour market when the recession started; second, the incidence of temporary contracts is high among young people; and third, the Swedish Employment Protection Act – more specifically, the application of the seniority principle (last in, first out) – favours workers with long seniority in the redundancy process. While the labour supply of people with an immigrant background was unchanged, the increase of unemployment among non-natives is also related to their weak embedding in the Swedish labour market (higher incidence of temporary contracts, lower work experience and concentration in the low skill segment of the manufacturing industry and service sector).

As shown by Figures 11.6 and 11.7, the impact of the crisis, in terms of relative unemployment, has been evenly distributed between the usual socio-economic groups, for example, based on gender, age and origin. This is due to the massive impact of the crisis on employment: all socio-economic categories were affected by the deep recession.

As far as gender is concerned, the relatively stronger impact of the crisis on male unemployment is related to the abovementioned decline of employment in the male-dominated export-oriented manufacturing sector, but compared to the previous crisis (1993) the gender gap in unemployment has remained much lower (see Figure 11.8). There are strong reasons to believe that this is related to the more rapid decline in employment in the public sector at the local and regional levels due to severe budget cuts, despite the additional appropriations to local government by the Swedish Government.

Regarding older workers, Swedish companies seem to have used early retirement to accommodate the recession much less than in previous economic downturns. The employment rate of senior workers (55–64 years of age) has, to date, remained almost unchanged (see Figure 11.9), while unemployment increased only slightly, from 3.2 per cent in 2008 to 5.2 per cent in 2009.

The fact that the youth and immigrant relative unemployment rates have not increased can also be explained partly by the abovementioned active labour market measures targeted on these two groups and implemented in the second half of 2008, as well as the education measures implemented in 2009.

The long-term consequences of high youth unemployment and the
deterioration of the labour market for people with an immigrant background are worrying. Several Swedish empirical studies (for example, Nordström-Skans 2004) have shown that an early period of unemployment can have lasting negative effects on subsequent employment performance and income development. These studies have identified significant 'scarring' effects of unemployment. Furthermore, an early period

Source: Statistics Sweden (2010a).

Figure 11.6  Relative unemployment rates by gender (female relative to male, upper panel) and age (relative to prime adult 25–44 years, lower panel), Sweden, 2005–2009
Work inequalities in the crisis

Source: Statistics Sweden (2010a).

Figure 11.7 Relative unemployment rate of people with an immigrant background, Sweden, 2005–2009

Source: Statistics Sweden (2010a).

Figure 11.8 Unemployment rates by gender, Sweden, 1970–2009 (percentage of the labour force)
of unemployment may affect the timing of other transitions and events over the life cycle: the transition from school to work; exit from the original family and the constitution of an independent household; access to housing; parenthood (increase of the median age at first birth and risk of a decline in overall fertility); career opportunities and wage development; as well as exit patterns from the labour force at the end of a person’s career (see Anxo et al. 2010).

5. WAGES, EARNINGS DEVELOPMENT AND EARNINGS INEQUALITIES

As mentioned previously, experience from the deep economic crisis of the early 1990s shows that wage moderation characterized wage developments during the second half of the 1990s. The 2009 bargaining round covered few agreements and relatively few employees. Only 30 of the 650 collective agreements were the subject of negotiation. In 2009, the negotiated pay increase was 3.4 per cent for manual workers in the private sector and 2.9 per cent for non-manual workers. In the first half of 2010, around 530 new collective agreements were concluded, covering around 1.4 million dependent employees. Most agreements cover the period from spring 2010 to spring 2012. The moderate outcome in terms of negotiated pay settlements during the last round of collective bargaining, coupled with the
Work inequalities in the crisis

weak situation in the labour market, imply that wages are expected to rise moderately during 2010 and 2011 (2.3 per cent in 2010 and 2.6 per cent in 2011), limiting also labour cost increases.

According to short-term wage statistics from the Swedish Mediation Office (2010), the rate of wage increases in 2009 was 3.3 per cent for the economy as a whole (see Table 11.2). For the private business sector, the rate was slightly lower, at 3.1 per cent. The highest rate of increase, 3.9 per cent, was recorded in the public sector at the regional level (county councils). As shown by Table 11.2, pay rises for 2009 were significantly below those recorded in 2008. To a considerable extent, this reflects the impact of the deterioration in the labour market on wage increases in 2009. Real wage growth – which averaged 2.5 per cent a year between 1995 and 2008 – was 3.5–4 per cent in 2009, primarily due to the negative average rate of inflation.

Wage dispersion (P90/P10) in Sweden has been increasing since the early 1990s, rising from around 1.80 in 1992 to around 2.00 in 2009. Even though it is too early to assess accurately the impact of the global economic crisis on wage distribution, it seems that, to date, this impact has been limited, with contrasting developments by gender.20 As shown by Table 11.3, between 1996 and 2009 the increase of wage inequality was higher for women than for men, except for blue-collar workers in the private sector. The increase in wage inequality for women was particularly marked among white-collar employees in the private sector (an increase of almost 21 per cent) but also in the state sector (+15 per cent). Part of the increase in female wage dispersion might be ascribed to a compositional effect, that is, the increase of the share of females working in the private sector (in particular in white-collar jobs) and also to a tendency toward individualization of wage setting, in particular in the female-dominated public sector, implying greater wage differentiation.

According to a recent study (Ekberg and Holmlund 2010), Sweden also

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<td>3.2</td>
<td>3.7</td>
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<td>2.9</td>
</tr>
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<td>3.0</td>
<td>5.0</td>
<td>3.9</td>
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<td>3.1</td>
<td>3.3</td>
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</table>

Sweden

Table 11.3  Wage dispersion by broad sector, P90/P10, Sweden, 1996–2009

<table>
<thead>
<tr>
<th>Sector</th>
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<th>Men</th>
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<tr>
<td>Private sector (blue-collar)</td>
<td>1.54</td>
<td>1.50</td>
<td>1.53</td>
<td>1.63</td>
</tr>
<tr>
<td>Private sector (white-collar)</td>
<td>1.73</td>
<td>2.03</td>
<td>2.09</td>
<td>2.21</td>
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<tr>
<td>Local authorities</td>
<td>1.50</td>
<td>1.58</td>
<td>1.51</td>
<td>1.72</td>
</tr>
<tr>
<td>County councils</td>
<td>1.53</td>
<td>1.70</td>
<td>1.73</td>
<td>2.97</td>
</tr>
<tr>
<td>State/central administration</td>
<td>1.61</td>
<td>1.75</td>
<td>1.86</td>
<td>1.93</td>
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</table>


experienced a reduction in the gender wage gap between 2005 and 2009. The reduction in the gender pay gap affects all industries but was particularly important in the public sector. The reduction in the gender wage gap might be ascribed to a relative increase of female educational attainment, the deregulation and privatization of part of the public sector and also the increase in the share of women in managerial positions.

Looking at the development of the earnings distribution in the long run, the dispersion of disposable income has also increased. Although Sweden belongs to the set of countries with the lowest earnings inequalities, the Gini coefficient increased by 26 per cent between 1991 and 2008 (see Figure 11.10). However, as also shown by Figure 11.10, the Gini coefficient decreased between 2007 and 2009. The recent decrease of the Swedish Gini coefficient might be ascribed principally to the fall in capital income among high earners.

As shown by Figure 11.10, the reduction in disposable income has been particularly marked at the two ends of the income distribution. Low and high earners both experienced a significant decline in disposable income between 2007 and 2009. There are good reasons to believe that the deterioration among low earners (first decile) might be ascribed to the conjunction of several factors: the increase in unemployment, particularly among low skilled and low paid workers, the dramatic increase in youth unemployment (new entrants into the labour market not covered by the UI system), and the UI reform initiated in 2007 (see above). Regarding the last factor, the reform of the UI system resulted in a significant change in the generosity of the Swedish UI system, the income replacement rate being reduced to 70 per cent after 200 days of unemployment and the maximum duration for receiving unemployment benefits reduced to 300 days. Furthermore, the financing of the UI was modified: the contributions
Work inequalities in the crisis

of the various unemployment funds administered by the trade unions (the Ghent system) were differentiated according to the unemployment level in the sector/industry concerned. This reform entailed a large increase in individual contributions; in some cases, UI fees tripled. The consequence was both a large decrease in union membership and a dramatic decline in the number of dependent employees covered by the UI system: around 500,000 employees left the UI system between 2007 and 2008. Although the Government again changed the qualification rules in 2009 (see Section 3) and introduced a ceiling on individual contributions, there is reason to believe that a significant part of the decline in average disposable income in the first decile is a consequence of this reform. There is also evidence to indicate that the bulk of the reduction in capital income among low earners is related to the deterioration of the financial and stock market, which had a negative impact on pension benefit.

As also shown by Figure 11.11, the reduction in disposable income among high earners (D10) is due essentially to the reduction in capital income in connection to the financial crisis. As a consequence of this development, to date the crisis has slightly reduced earnings inequalities in Sweden.

During the period 2007–2009, average disposable income declined slightly (−1.0 per cent), while the median disposable income by consumption unit actually increased by above 3 per cent. The impact of the crisis on
the development of disposable earnings was not independent of the extent and generosity of the social protection and transfer systems (economic stabilizers), which remain high in Sweden, by international standards. Furthermore, the reforms of the tax system, which entailed a reduction in both average and marginal income tax, and the Government’s countercyclical measures, such as the increase in the number of participants in ALMP, may partly explain the fact that disposable income has, to date, not been severely affected by the crisis. Looking at different household types, the decline in disposable median income by consumption unit has been concentrated among single parents; the other categories, on the contrary, experienced an increase in disposable median income (see Table 11.4).

As shown by Figure 11.12, the share of people with low disposable income (poverty rate, 60 per cent of median income) among those 20 years of age and over has slightly increased during the crisis. Not surprisingly, the largest increase in the poverty rate is found among young singles without children (20–29 years old) who have been particularly hard hit by the crisis. In order to reduce the negative impact of the crisis on low income households and poverty, the Government also reduced income tax for pensioners and improved the situation of single parents and low income parents by increasing housing benefit. As shown by Figure 11.12, these measures seem to have stopped the increase of poverty among lone

**Figure 11.11** Annual variation (2007–2009) of disposable income per consumption unit by decile, Sweden
Work inequalities in the crisis

parents. By the same token, the share of older people (65 + years) on low incomes also declined between 2008 and 2009.

6. CASE STUDIES

In order to illustrate the adjustment process during the recession we have chosen two companies from the export-oriented manufacturing sector:

Table 11.4  Variation of median disposable income by consumption unit, Sweden, 2007–2008

<table>
<thead>
<tr>
<th>Household types</th>
<th>Variation of disposable income, 2007–2008 in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single persons without children</td>
<td>7.4</td>
</tr>
<tr>
<td>Single persons with children</td>
<td>–2.4</td>
</tr>
<tr>
<td>Married or cohabiting without children</td>
<td>1.4</td>
</tr>
<tr>
<td>Married or cohabiting with children</td>
<td>6.9</td>
</tr>
<tr>
<td>All persons aged 18 years or older</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Source: Statistics Sweden (2010b).

Figure 11.12  Share of persons by type of household with low disposable income, Sweden, 1991, 1995, 1999–2009 (60 per cent of median income)

parents. By the same token, the share of older people (65 + years) on low incomes also declined between 2008 and 2009.

6. CASE STUDIES

In order to illustrate the adjustment process during the recession we have chosen two companies from the export-oriented manufacturing sector:
one in the automobile sector, the other in the aluminium industry. These two industries were particularly affected by the economic downturn. The two case studies are also a good illustration of Swedish patterns of employment adjustment, namely a combination of negotiated external numerical and internal flexibility and the role played by the two sides of industry in downsizing and restructuring.

6.1 Flexicurity, the Swedish Way: The Volvo Cars Corporation (Göteborg)

The downturn in the global economy in the aftermath of the financial crisis hit the automotive industry in Sweden severely. It should be noted, however, that the two ‘Swedish’ car producers, Volvo Cars and Saab Automobile, owned up to the end of 2009 by Ford and General Motors, respectively, were experiencing serious profitability problems long before the start of the recession. In order to cope with the dramatic decline in orders and sales in connection to the crisis, the management at Volvo Cars (Swedish headquarters, Göteborg), in close cooperation with the trade unions, set up a comprehensive ‘work sharing’ and cost reduction programme, with components such as: staff reductions and dismissals, temporary layoff s, short-time working and wage freezes, as well as early retirement schemes.

In early 2008, 6,000 employees were given notice. Around 4,600 of these were actually dismissed, corresponding to 17 per cent of the workforce. A significant proportion of these dismissed workers were agency workers and employees on temporary contracts, but a majority had tenured positions at Volvo (open-ended contracts). The company, of course, followed the regulations of the Swedish Employment Protection Act (LAS) regarding the seniority principle, but also strove to retain employees with the skills needed for future production. Bargaining with the various local trade unions made it possible to safeguard most of the personnel with key competencies.

During the layoff process, Volvo Cars also cooperated closely with two Job Security Councils in order to accommodate the restructuring process and help the dismissed workers to rapidly find new job alternatives or training programmes. Furthermore, a special and temporary local public employment agency office was opened at the Volvo site in Göteborg to provide coaching, advice and support to the dismissed workers.

Employees at Volvo were also affected by temporary layoffs. The duration of temporary layoffs ranged between 8 and 45 days, depending on the job category, with a wage reduction of 15 per cent. According to Volvo’s human resource manager, the absence of state subsidized short-time
working schemes in Sweden explains the larger number of redundancies compared to the Volvo plant in Belgium where such a state subsidized scheme was implemented. In other words, in its Belgium plant, Volvo could accommodate the decline in production and sales by keeping on its workforce, while the adjustment in Sweden essentially took the form of layoffs and external numerical flexibility.

In addition, Volvo, in agreement with the local unions, decided to freeze the wages of blue-collar workers in 2009. White-collar workers also experienced salary cuts, ranging between 3 and 5 per cent. Overtime payments were stopped and no bonus payments were made during the restructuring process.

Around 400 older employees who, according to the human resource manager, did not meet future requirements, were offered an early retirement package. If the employees were older than 60, Volvo paid 70 per cent of their wage until the normal retirement age (65 in Sweden).

The human resource manager we interviewed believes that the financial crisis and the global economic downturn have led many Swedish companies to change their recruitment strategies, implying that in the future they will be more reluctant to increase their workforces on the basis of open-ended contracts (tenure). There are therefore strong reasons to believe that, in future, there will be an increase in the number of temporary employment agencies and short-term contracts. Two reasons may be put forward for this: (1) to create the conditions for greater external numerical flexibility to cope with up- and downturns; and (2) to provide companies with the option of adjusting labour costs more rapidly across the business cycle.

6.2 Negotiated External and Internal Numerical Flexibility: Profilgruppen

Created in 1981, the company Profilgruppen is a supplier of custom-designed profiles and refined aluminium components. The enterprise covers a variety of market segments and customers range from automotive industries (25 per cent of total production volume), interior design and construction, health care equipment and telecom/electronics to general engineering. Approximately 50 per cent of the company’s production goes for export. Today (June 2010), Profilgruppen employs 387 employees, 75 per cent of them production workers. In June 2008, 490 persons were employed at the company. In the aftermath of the financial crisis and economic downturn the company experienced serious difficulties and was obliged to lay off 133 employees (120 manual and 13 white-collar workers, 27 per cent of the workforce). Fortunately, the relatively wide range of
customers meant that the impact of the crisis was spread over a relatively long period. While the automotive industry was quickly affected by the recession it took longer for it to reach the company’s other industrial segments. Despite the variation in the timing of the crisis across industries, Profilgruppen was severely hit by the crisis, both in the domestic and export markets. Orders and production levels declined rapidly after summer 2008 and around 133 employees were given notice during autumn 2008. Negotiations regarding the layoff process got under way rapidly with the various local trade union representatives. The main bargaining issues concerned which workers (with key competences, such as mechanics and electricians) could be exempted from the seniority rule (last in, first out, according to the Swedish Employment Act). The bulk of layoffs were therefore concentrated on low-skilled workers (mainly operators) and among them the seniority rule was scrupulously followed. Consequently, layoffs mainly affected young people (25–30 years of age) and/or employees with short tenure. The average age of employees at the company therefore increased. As far as temporary workers are concerned, at the start of the downturn the company counted only 17 employees on short-term contracts. These employees were dismissed first.

In the early stages of the dismissal process the firm could not use the short-time working agreement concluded at the branch level between the trade union IF Metall and the Association of Swedish Engineering Industries, since the agreement was not concluded before March 2009 (see above), that is, after the company initiated the redundancy process. On the other hand, during 2009 and in order to avoid laying off white-collar workers and retaining key competences within the firm, the company introduced a four-day week for a period of seven months. Short-time working was the outcome of a bargaining process and collective agreement with the local trade unions. This local agreement follows the disposition of the abovementioned collective agreement at the branch level and involved a reduction of 20 per cent in working time and a 10 per cent wage reduction. The local agreement covered both production workers and white-collar workers but, due to the large redundancies among production workers, short-time working was mainly implemented among white-collar workers.

In contrast to Volvo, the company did not make use of a wage freeze or early retirement to accommodate the decline in activity. According to the company, the use of early retirement was considered too expensive.

As at Volvo Cars, Profilgruppen cooperated closely with two Job Security Councils to help redundant employees (both white-collar and production workers) to return to the labour market as soon as possible. The support for the dismissed employees took the form of tailored...
individual plans, coaching and labour market training. It should also be noted that the intervention of the Job Security Councils started in the earliest phase of the redundancy process.

Some of the dismissed workers, who prior to the recession had open-ended contracts, have now been re-employed, but on a short-term contract. According to the human resource manager, the fear of a double-dip is the main reason for recruiting on short-term contracts. Although the company has not yet made use of temporary agency workers and/or short-term contracts as a means of short-term adjustment over the business cycle, the human resource manager indicates that it cannot be ruled out that the company, like Volvo Cars, will in the future rely on external numerical flexibility – a larger proportion of short-term contracts – to a larger extent than today.

6.3 Lessons from the Case Studies

The two case studies constitute a good example of the Swedish adjustment process in operation during the current crisis, namely a mix of negotiated numerical flexibility and active support of dismissed workers through active labour market policy measures and/or negotiated agreements helping redundant workers to find a new job rapidly or to enhance their employability. These two examples therefore constitute, in our view, a good illustration of flexicurity ‘à la Suédoise’ and stress the importance of social dialogue at the company level during the restructuring process.

The agreements on temporary wage freezes are also a good reflection of the overall tendency toward wage moderation in Sweden during a recession, and the willingness of the two sides of industry to share equally the burden of the crisis and limit the potential impact of the recession on wage structure and inequalities.

Even though, at the policy level, the various Swedish governments have been reluctant to use work sharing and short-time working to accommodate the crisis, our two case studies are also a good illustration of the use of a temporary reduction of working time to keep key competencies in the company and limit adjustment and transaction costs for high-skilled workers.

In contrast to other countries, with weaker industrial relations systems and unbalanced bargaining power between the two sides of industry, the specificity of the Swedish industrial relations system implies a more balanced sharing of the cost of the crisis in terms of both working conditions and inequalities at work.

It should, however, be noted that the significant increase in the incidence of short-term contracts coincided with the deep economic crisis of the
early 1990s. Our two case studies tend also to show that the current crisis might in future lead to an increase in the share of temporary contracts and agency workers, implying the risk of deepening labour market segmentation. Furthermore, Swedish employment protection law – in particular the application of the seniority rule – explains largely why young cohorts have disproportionally borne the burden of the crisis, with potential long-lasting negative effects on subsequent careers and income development.

7. CONCLUSION

Traditionally, and in line with the core elements of the Swedish model, economic downturns and structural changes have seldom been accommodated by measures aiming at maintaining the level of employment. In contrast to other European Member States, public policies aimed at reducing working time (work sharing) or facilitating temporary layoffs have not been favoured in Sweden. During the current recession, employment adjustments in Sweden therefore essentially took the form of external numerical flexibility, combined with active labour market policy and relatively generous income support. Low-skilled workers in the export-oriented manufacturing industries were particularly hard hit by the crisis and in the initial phase of the economic downturn the brunt of adjustment was concentrated on agency workers and on workers with temporary contracts. Young people were also particularly affected by the economic crisis and unemployment among young people increased dramatically. The rise in youth unemployment can be ascribed to several factors: an increase in youth labour supply (cohort effect), the large incidence of temporary contracts among young people and the consequences of the application of the seniority principle. Compared to the severe economic downturn of the early 1990s, women’s unemployment also increased rapidly during the current recession. Despite the increased state support for local authorities in 2009, the reduction in tax revenue at the local level led to severe budget cuts that translated into a reduction of employment in the female-dominated public sector.

Since the late 1950s, active labour market policy (ALMP) has played a vital role in Swedish stabilization policies. The preference for the principle of employment promotion (work-first principle) has always dominated over benefit options for the unemployed. In contrast to previous economic downturns, where the bulk of countercyclical measures essentially took the form of an increase in the number of participants in various active labour market policy programmes, during the current recession the Swedish Government has to a larger extent than before relied on expansionary fiscal and monetary policy. Faced by a deterioration of the situation in
the labour market the Government gradually increased the number of participants in various ALMP programmes, however. Labour supply and matching measures have been emphasized and the extra resources have to a greater extent been targeted on individuals most in need of support. In this context, several active ALMPs have been targeted and tailored toward youth, immigrants and the long-term unemployed. In the aftermath of the global economic crisis, the Government has also temporarily increased the number of places in post-secondary vocational training and in local authority upper secondary education for adults, as well as the number of places in universities and colleges.

As far as wage development is concerned, the Swedish industrial relations system has favoured wage adjustments in line with productivity development. In order to preserve employment stability and limit further increases in unemployment, wage moderation has characterized the last round of collective bargaining. The outcome in terms of negotiated pay settlements, coupled with the weak situation in the labour market, implies that wages will rise moderately during the two coming years.

Even though it is too early to assess accurately the impact of the global economic crisis on wage distribution, it seems that, to date, this impact has been limited. The impact of the crisis on the development of disposable earnings and income inequalities is not independent of the extent and generosity of the social protection and transfer systems, which remain high in Sweden by international standards. Sweden, therefore, has comparatively powerful automatic stabilizers that dampened the fall in aggregate demand. Furthermore, both the countercyclical crisis measures implemented helped to reduce the effects of the crisis on household disposable incomes and to moderate the fall in public employment. In particular, the reforms of the tax system imply a reduction in both average and marginal income tax, and the countercyclical measures – such as the increase in the number of participants in ALMP – may partly explain why disposable income has so far not been severely affected by the crisis.

If the policy conducted by the Swedish Government helped to absorb and limit the negative impact of the crisis on employment and income inequalities in the short term, it should be stressed that the long-term consequences of the crisis might be significant. As shown by the case studies, we may not rule out that the current crisis, like the deep recession of the early 1990s, implies that, in future, a growing share of Swedish companies will rely increasingly on external numerical flexibility with a rise in the use of short-term contracts and agency workers. If this is the case, this development may worsen the duality in the labour market between insiders and outsiders, alter the conditions of entry into the labour market and delay the acquisition of a permanent and stable job. As also shown by previous
developments, the crisis hit young people hard, especially young people with an immigrant background. The potential scarring effects of an early period of unemployment may have a long-lasting negative influence on subsequent employment performance and income development across the life course. Furthermore, an early period of unemployment may affect the timing of other critical transitions and events over the life course, such as the transition from school to work and the constitution of an independent household, as well as access to housing, parenthood and fertility patterns, career opportunities and wage development.

NOTES

1. The recent improvement in the Swedish economy is related to the strong expansionary fiscal and monetary policies, including tax cuts and low interest rates. Compared to previous economic downturns, Swedish economic growth has been, between 2009 and early 2010, driven less by increases in exports than by an increase in public and private consumption, due both to increases in disposable household income and the additional appropriations to local government decided on in autumn 2009 and the Spring Budget Bill (see Section 3).

2. SEK 48 billion in 2009 (corresponding to 1.6 per cent of GDP) and a further SEK 35 billion for 2010 (1.1 per cent of GDP). 1 SEK = 0.097 euro, 1 SEK = 0.14 dollar in 2009.


4. In addition to the already increased funding in infrastructure adopted in the 2009 Autumn Budget Bill (SEK 10 billion), it was decided that a further SEK 1 billion would be invested in infrastructure (operation and maintenance of roads and railways).

5. The State will initially guarantee up to SEK 1,500 billion of debt instruments. Of this, a maximum of SEK 500 billion can be used to guarantee covered bonds with a maturity of between three and five years.

6. This measure implied a reduction of tax revenue by around SEK 3.6 billion.

7. A new limited company was formed and received SEK 3 billion to conduct research and development in the automotive sector. Furthermore, the Government secured the possibility of making available state credit guarantees of up to SEK 20 billion to companies in the automotive sector to guarantee the loans they take out from the European Investment Bank. The Government also has the possibility of providing rescue loans to companies in the automotive sector that are in financial difficulties, in exchange for adequate security.

8. This corresponded to about 0.3 per cent of GDP in 2009.

9. This first step implies a reduction of marginal tax by 1–1.5 percentage points for low and medium income earners.

10. By 5 percentage points, up to a ceiling of SEK 10,000 per year.

11. In January 2009, the total employers’ social security contribution for young people was lowered to 15.49 per cent. The reduction means that employers’ contributions have been halved. The age group has also been broadened to cover everyone under the age of 26.

12. The New Start Job was introduced in January 2007. In relation to the crisis and in order to limit the development of long-term unemployment, the Government increased the compensation given to employers who recruit a person to a ‘new start job’. The initial compensation amounted to the employer’s social insurance contribution for a person who was entitled to such a job (that is, they had been unemployed or sick for more than a year). From 1 January 2009, the employer received twice that level of compensation.
13. Around 10,000 more slots for universities and colleges, 3,000 more slots in post-secondary vocational training and 10,000 more slots per year in adult vocational training.

14. The Government has also decided to increase compensation in the general study grant and loan system (Studiemedel) by SEK 431 per month.

15. The aim of the Youth Job Guarantee is to help young unemployed people (20 years of age or over) to find jobs or enrol in the regular education system through intensified employment services, activation measures, traineeships and stronger incentives to study.

16. In particular, for those born outside Europe.

17. One of the highest in Europe, after Spain.

18. And possibly some overinvestment in human capital related to a postponement of their exit from the education system due to poor employment prospects.

19. All in all, the 2009 bargaining round affected 175,000 employees, of whom 70,000 belonged to the Building Workers’ Union.


21. Between 2005 and 2009 the non-standardized gender wage gap decreased by 1.5 percentage points from 16.3 per cent to 14.8 per cent. During the same period the standardized gender wage gap decreased by 0.8 percentage point from 6.8 per cent to 6.0 per cent. Between 2008 and 2009 the standardized wage gap for the economy as a whole was reduced by 0.3 percentage point from 5.8 per cent to 5.5 per cent.

22. Between 2005 and 2009, the share of women in managerial positions increased by 60 per cent (managers, chief executives etc.) from 8 to 13 per cent.

23. Union membership declined by 11 per cent for blue-collar workers (Swedish Trade Union Confederation, LO) and by 7 per cent for white-collar workers (Swedish Confederation for Professional Employees, TCO), see Kjellberg (2010).

24. In a context of low labour demand and high unemployment the short-term positive impacts of a tax cut on work incentives and labour supply, both at the intensive and the extensive margins, might be questioned. On the other hand, the tax credit results in higher disposable income for households with low or average income. These households can be expected to have a higher propensity to consume, which might contribute to higher aggregate consumption and demand and, through a multiplier effect, have a positive impact on the employment level.

25. Early in 2010, the Ford Motor Company sold the Volvo Car Corporation to Geely Automobile Holdings Limited.

26. The package of measures discussed in this chapter was implemented only in Sweden. In Belgium, Volvo Cars exploited other cost and work sharing mechanisms, such as a system of state subsidized short-time working.

27. The Job Council Startkraft provided support for the dismissed production workers, while the Job Council Tryggetsråd (TRR) provided advice and support for white-collar employees, management and union representatives.

28. With the exception of three employees older than 63 years of age.

29. The Job Council Arbetslivsressours provided support for the dismissed production workers, while Tryggetsråd (TRR) provided advice and support for white-collar employees, management and union representatives.

30. It should also be noted that, according to the Swedish Employment Protection Act, the dismissed workers have priority during the re-employment phase.

BIBLIOGRAPHY

Statistics Sweden (2010b) *Undersökning av hushållsekonomi* (Survey of household economic situation), Stockholm.
## APPENDIX

*Table 11A.1  Policy responses: recovery measures, active labour market policy and education measures, Sweden, fourth quarter 2008–fourth quarter 2009*

<table>
<thead>
<tr>
<th>Policy area</th>
<th>Description of measure(s) taken</th>
<th>Implementation</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing aggregate demand</td>
<td>Increased investment in infrastructure and repair and maintenance (SEK 1 billion)</td>
<td>In force since early 2009</td>
<td>Sustain employment in the public and construction sectors</td>
</tr>
<tr>
<td></td>
<td>Tax credit in the construction sector. Work in the form of repairs, maintenance and improvement of one-family houses and tenant housing included in the existing tax credits for household work</td>
<td>In force since early 2009</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expansive finance policy: increased resources for local government. Globally, the package of measures adopted and implemented since summer 2008 amounts to: SEK 83 billion, corresponding to 2.7% of GDP, SEK 48 billion in 2009 (corresponding to 1.7% of GDP) and a further SEK 35 billion for 2010 (1.1% of GDP)</td>
<td>Second half of 2008–</td>
<td>Sustain aggregate demand. Maintain employment in the public sector (local authorities in charge of education and health)</td>
</tr>
<tr>
<td>Increasing labour demand (ALMP)</td>
<td>Wage subsidies: new start job (first introduced in 2007). The Government has doubled the deduction to employers that recruit a person for a new start job, implying that the employer will pay about half the cost of the current wage</td>
<td>January 2009–</td>
<td>Countercyclical employment measure</td>
</tr>
<tr>
<td>Youth measures</td>
<td>Reduction of employers’ social security contributions for young people. The total reduction means almost a halving of employers’ contributions. The age group has also been broadened to cover everyone under the age of 26</td>
<td>January 2009–</td>
<td>Reduce youth unemployment</td>
</tr>
<tr>
<td>Policy area</td>
<td>Description of measure(s) taken</td>
<td>Implementation</td>
<td>Objectives</td>
</tr>
<tr>
<td>------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------</td>
<td>----------------------</td>
<td>-----------------------------------------------------</td>
</tr>
<tr>
<td>Maintaining labour demand</td>
<td>Agreement on temporary layoffs/short-time working, wage adjustments, and training between IF Metall and the employers’ federations in engineering, metals and industry and chemicals</td>
<td>March 2009–March 2010</td>
<td>Maintain employment</td>
</tr>
<tr>
<td>Offering social protection, strengthening social cohesion</td>
<td>Temporary amendment of membership requirements of Unemployment Benefit Funds</td>
<td>2009–2013</td>
<td>Reduce the risk of social exclusion and poverty</td>
</tr>
<tr>
<td></td>
<td>Members of unemployment insurance (UI) funds in 2009 will be able to count one month extra for each month of membership in 2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Extension of sickness benefit for those not able to work.</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Increase of housing allowance</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Measures to increase income for low income groups, such as the reduction of pensioners’ taxes and housing allowance for low income families and lone parents</td>
<td>2009–</td>
<td></td>
</tr>
<tr>
<td>Increasing labour supply. Making work pay</td>
<td>Extension of the already implemented in-work tax credit</td>
<td>2008–</td>
<td>Enhance work incentives and increase labour supply at the extensive (participation) and intensive margins (working hours). But also sustain aggregate demand</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Improve the matching process and control of search activities</td>
</tr>
<tr>
<td>Improving labour market matching</td>
<td>The administrative appropriation to the Swedish Public Employment Service has been raised for both 2009 and 2010 in order to expand its matching services and provide early and individual support to people who have lost their job. The coaching support and wage subsidy programme (New Start Up) has also been extended to young people</td>
<td>2009–</td>
<td></td>
</tr>
</tbody>
</table>
Table 11A.1 (continued)

<table>
<thead>
<tr>
<th>Policy area</th>
<th>Description of measure(s) taken</th>
<th>Implementation</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in human capital</td>
<td>Temporary increase of the number of slots in post-secondary vocational training and local authority upper secondary education for adults, as well as universities and colleges (10,000 more slots for universities and colleges, 3,000 more slots in post-secondary vocational training and 10,000 more slots per year in adult vocational training)</td>
<td>2009–2011</td>
<td>Skill upgrading measures</td>
</tr>
<tr>
<td>Adaptability of education and training</td>
<td>Increase of the number of participants in traditional labour market training (1,000 places) Possibility for unemployed people over the age of 25, regardless of previous education, to obtain a higher level of post-secondary student aid in 2009 and 2010 Drop-outs from high school will have the opportunity, within the framework of the Youth Job Guarantee, to complete their studies</td>
<td>2009–</td>
<td>Skill upgrading measures</td>
</tr>
</tbody>
</table>