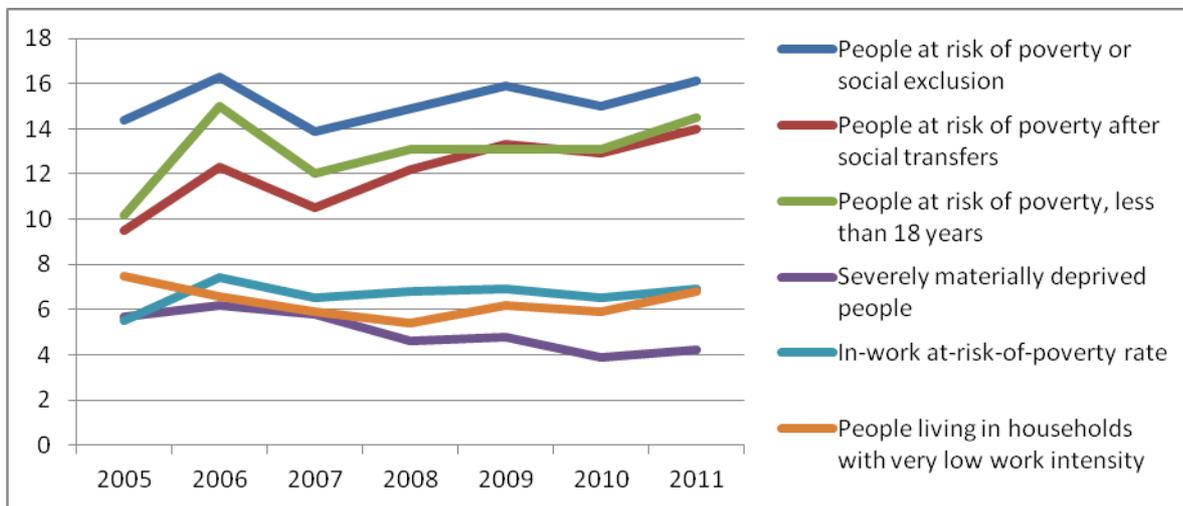


1. POVERTY

1.1. Recent trends

Developments of poverty and social exclusion in Sweden based on Eurostat:

- The **rate of people living at-risk-of-poverty increased** from 12.2% in 2008 to 14,2% in 2012. It has to be noted that the highest increase occurred in the rate of **women who are at a significantly higher risk of poverty** (15.7% in 2012) than men (12.7% in 2012).
- Child poverty increased reaching 15% in 2012. Nevertheless, the age group at **highest risk of poverty remain people aged between 18 and 24** (27% in 2012), followed by people older than 65 (17,5% in 2012).
- The highest proportional increase occurred in the rate of people living in households with very low work intensity, which rose from 5.4% in 2008 to 10% in 2012.
- **Poverty trends in Sweden** (% of population):



It should be noted that according to the latest report published by the Swedish organisation Save the Children organisation (Child poverty report 2013) the percentage of Children experiencing poverty has decreased slightly towards end of 2013.¹

1.2. Recent policy developments

Since last year the following policy developments have been registered:

Despite the slow economic recovery there were no budget cuts in the previous Budget Bills and proposed Bill for 2014, instead of cutting, increases the expenditure and the government introduced measures for improving welfare and cohesion through;

- Increased support to the most financially vulnerable groups through an increase in the special allowance for children in the housing allowance, a higher income threshold for the housing supplement for pensioners and the introduction of a recreational activity for children.

¹ <http://www.savethechildren.se/Publications/>

- Increased quality, effectiveness and efficiency in health care and social services through a multi-year initiative for people suffering from chronic illnesses, more places in health care education programmes and better alcohol rehabilitation programmes
- Developed pricing model for pharmaceutical products to ensure that Sweden does not pay more for pharmaceuticals than other comparable countries.

Assessment of Swedish Country Specific Recommendations (CSRs) adopted in 2013:

In general, CSRs issued for Sweden can be considered adequate to tackle the problems of poverty and social exclusion.

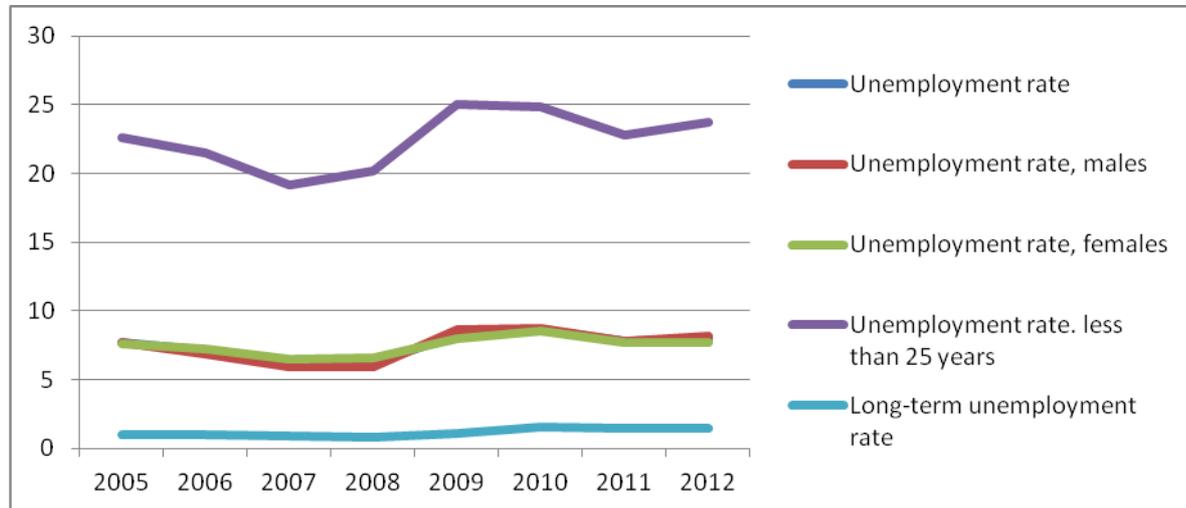
2. EMPLOYMENT

2.1. Recent trends

Developments of the employment situation in Sweden:

- The unemployment rate increased from 6.2% in 2008 to 8% in 2012. The **highest increase occurred in the youth unemployment rate**, which rose by 3.5 ppts to 23.7% in 2012 and is therefore **the only national unemployment rate above EU average** (22.8% in 2012).
- Unemployment rose more sharply among men (by 2.3 ppts) than women. A similar gender pattern can be observed in the **long-term unemployment rate, which more than doubled among men** (from 0.8% in 2008 to 1.7% in 2012). Nevertheless, long-term unemployment remains well below EU average (4.6% in 2012).

Employment trends in Sweden (% of population)



2.2. Recent policy developments

The 2013 NRP focuses on continuously following-up and improving the labour market situation for young people, older people and people born outside Sweden with a weak foothold in the labour market. Proposed measures in the 2013 NRP together with the new measures in the Budget Bill 2014 might help to achieving the employment target in Sweden.

One of the biggest challenges for Sweden is to how to improve the employment situation for newly arrived refugees particularly from war torn Syria and Somalia. The numbers of refugees with low skills and lack of language capacity are increasing in Sweden. The Introduction Act has been in place for

slightly more than two years. Among the other things, the reform includes the introduction of a state individual benefit “the introduction benefit”, strengthening the incentives for both women and men to participate and to work while also taking part in introduction activities. The target group is growing with Syrian conflict, meaning that Sweden is experiencing an inflow of refugees and family reunification migration.

In the Budget Bill for 2014, the Government proposed some measures to support and permanently increase employment, strengthen pupils’ knowledge and skills and business competitiveness, and enhance welfare and cohesion in Sweden while protecting the environment and climate.

Proposed measures include;

- Strengthened household finances through an increase in the earned income tax credit, a raised threshold for state income tax and lower tax for pensioners
- New and broader paths to working life for young people through support to vocational introduction jobs, investment in apprenticeship and vocational programmes as well as reduced social security contributions for the youngest category and more effective labour market policy measures
- Better conditions for long-term unemployed people to find work through, for example, additional investments in the special recruitment incentive
- Better integration through more measures to facilitate the introduction of newly arrived immigrants, more hours of Swedish instruction for newly arrived pupils in years 1-5, better opportunities for supplementary courses for immigrants with tertiary qualifications and the introduction of new start zones.
- A more flexible and secure labour market through state support for short-time employment and measures to improve labour market flexibility.
- Better opportunities to follow up job seeking activities and clearer requirements for those taking part in labour market policy programmes and others.
- Financial support for employers who recruit young people on the basis of vocational introduction agreements.

Vocational introduction agreements are the umbrella term for sector-specific agreements on employment of people with no previous experience in a specific profession. A portion of the working hours is used for training and supervision and is therefore unpaid. Overall experience shows that a combination of work and training/supervision is a good way for young people to enter the labour market.

Under the proposal, from 2014 employers can receive financial support to employ people aged 15-24 within the framework of vocational introduction agreements

Sweden's growth is being held back by a weak international economy in the wake of the financial and debt crisis. Despite this, the labour market has developed somewhat more strongly than expected. As a result of the continued weakness of the world economy exports are only gradually recovering, while households are continuing to increase their consumption. The growth rate will strengthen and unemployment decline slightly in 2014. At the same time, there is still uncertainty about the economic

outlook. The risk of weaker growth continues to dominate, according to the Ministry of Finance's new forecast.²

The Swedish labour market has developed slightly more strongly than anticipated, despite weak GDP growth. During the first three quarters of the year, 44 000 jobs were added and unemployment declined slightly. During 2014 the employment rate is expected to continue to increase, alongside a further slight decline in unemployment. In December 2013 the number of unemployed persons amounted to 382 000, corresponding to an unemployment rate of 7.5%³.

Following a long series of fiscal policy measures to support the economy in what has become a historically protracted international downturn, the fiscal space is expected to be limited in the coming years. As GDP and employment growth gain momentum and unemployment declines, the focus of economic policy will shift from stimulus measures towards more structural improvements that strengthen the prospects of more people finding work. When the economy and resource utilisation eventually return to normal levels, net lending will return to 1 per cent of GDP according to the latest forecast.

Assessment of Swedish Country Specific Recommendations (CSRs) adopted in 2013:

In General, CSRs issued for Sweden can be considered adequate to tackle the problems of poverty and social exclusion.

2.3. Recommendations

The following challenges should be address and actions implemented:

- To minimise the negative impact of the continuing global economic crisis. Considerable uncertainty still surrounds the global economy, primarily because of the lack of sustainable solutions to the debt crisis in the euro area. This will dampen growth prospects in Sweden over the coming years. This in turn will result in a weaker labour market. The weak labour market development means that the problems in the labour market risk becoming worse.
- To improve substantially the labour market situation for groups with weak position in the labour market. Young, older, foreign-born and particularly newly arrived refugee population with little education are groups who have a weaker position in the labour market compared with the rest of the population. These groups are also the hardest hit when there is a downturn in the economy. The situation in the labour market for foreign-born people in Sweden is very different compared to those who are born in Sweden. Employment is lower and unemployment is much higher among those who are born outside of Sweden, and they more remain outside the workforce. But the differences among the various groups of people born outside Sweden are big, especially regarding the newly arrived refugees and their families with little or no education, is higher.

² Ministry of Finance forecast Dec.2013

³ SCB labour force survey Dec 2013.