



## **Erfolgreich Scheitern: Die Wahlen und ihre Auswirkungen auf die gesellschaftlichen und politischen Grundlagen des Schwedischen Modells**

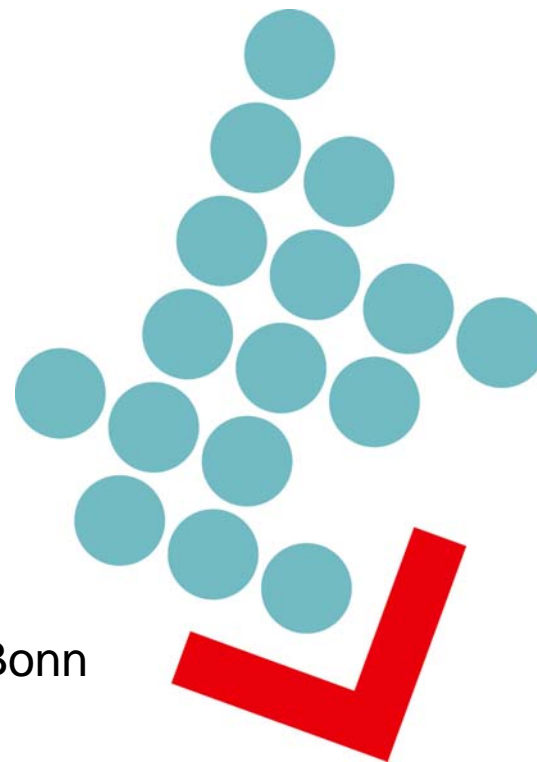
Als Auftaktveranstaltung des Nordischen Dialogs unseres neuen Büros in Stockholm fanden am 18. Und 19. Oktober 2006 in Berlin und Bonn zwei Diskussionsveranstaltungen statt.

Im Anhang finden Sie die Präsentation von Lena Westlund, Senior International Economist, Swedish Trade Union Confederation, LO, Stockholm

# Everybody loves the Swedish model these days? Rhetorics and reality after the election

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Presentation at the FES Seminar in Berlin and Bonn  
"Failed despite success – the implications  
of the Swedish elections for the social and  
political foundations of the Swedish model  
18-19 October 2006



# Swedish model – basic features

- Originally pact of mutual interests between three groups: national industrial owners – social democratic party/government - trade unions in the 1930s (Saltsjöbad Agreement”)

## Outcomes:

- Labour peace
- Defense of private property
- Real wage increases and more decent work

Later complemented with general welfare system

# Swedish model in the 2000s

- Structural change occurs at international level - confronts national model and policy tools
- EU-laws implemented in Swedish context – collective agreements vs individual legal rights
- Free mobility of labour force and companies within EU-25
- Model developed by LO-Swedish industries with Readjustment Agreement (2004), Agreement on international firms operating in Sweden (2005)
- If employment rate increasing slowly up—excessive pressure on welfare state financing and hard policy choices necessary

# Economic policy of the new government

- Focus on labour supply expansion

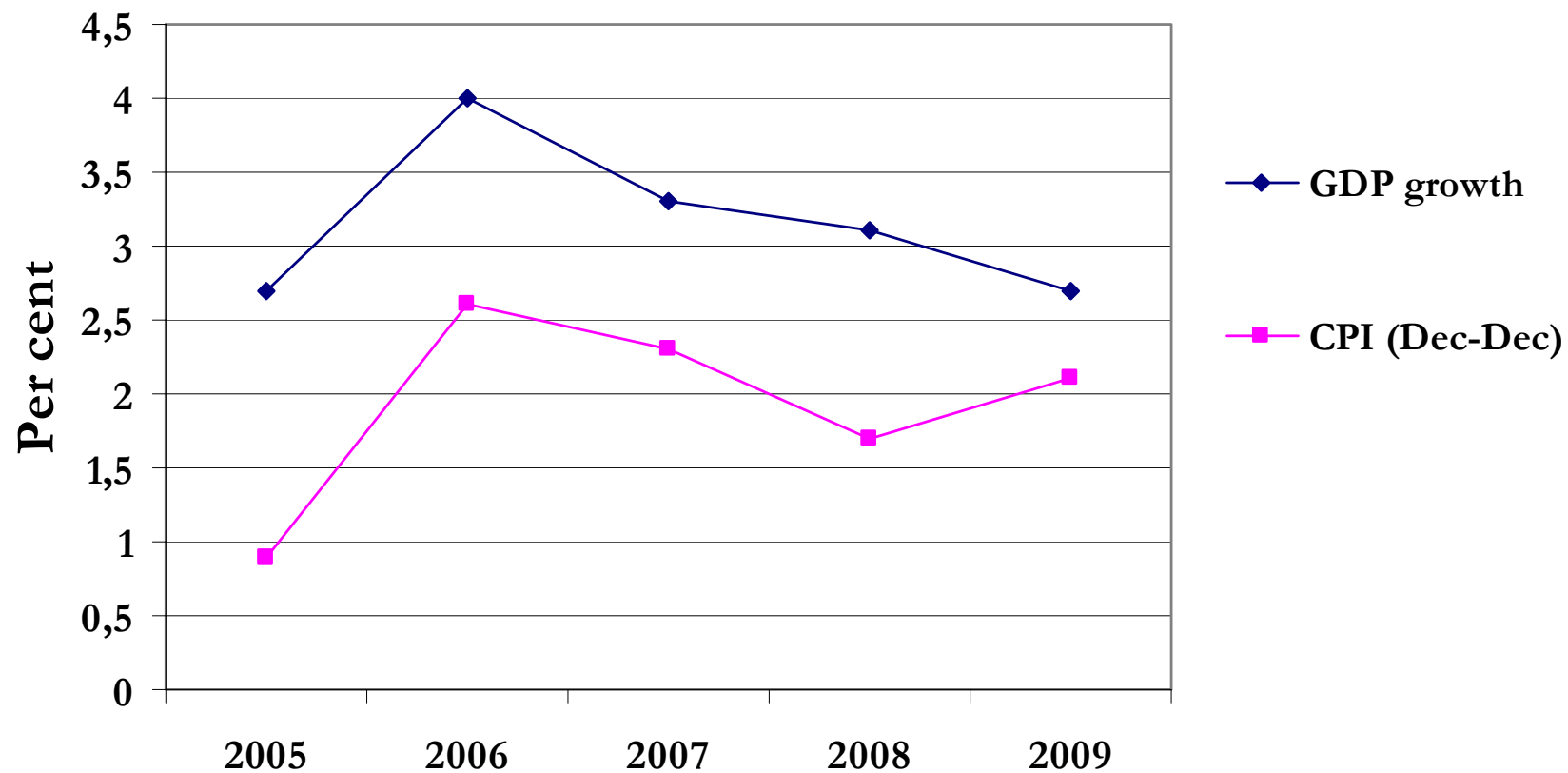
Main tools:

- Income tax cuts for income from work
- Reduced unemployment insurance benefits and high rise in fees + later compulsory UI
- Abolition of non-wage labour costs for broad groups and cuts in other active programmes
- "Work first approach" in labour market and social policy

# Main effects

- Increase in open unemployment 2007
- Increasing number of low wage jobs
- Income inequality increases (Gini-coefficient) – tax cuts 2007 - 75 per cent to upper half of income distribution
- Fewer trade union members
- Weaker collective bargaining partners
- Increase in employment rate dependent on demand for labour

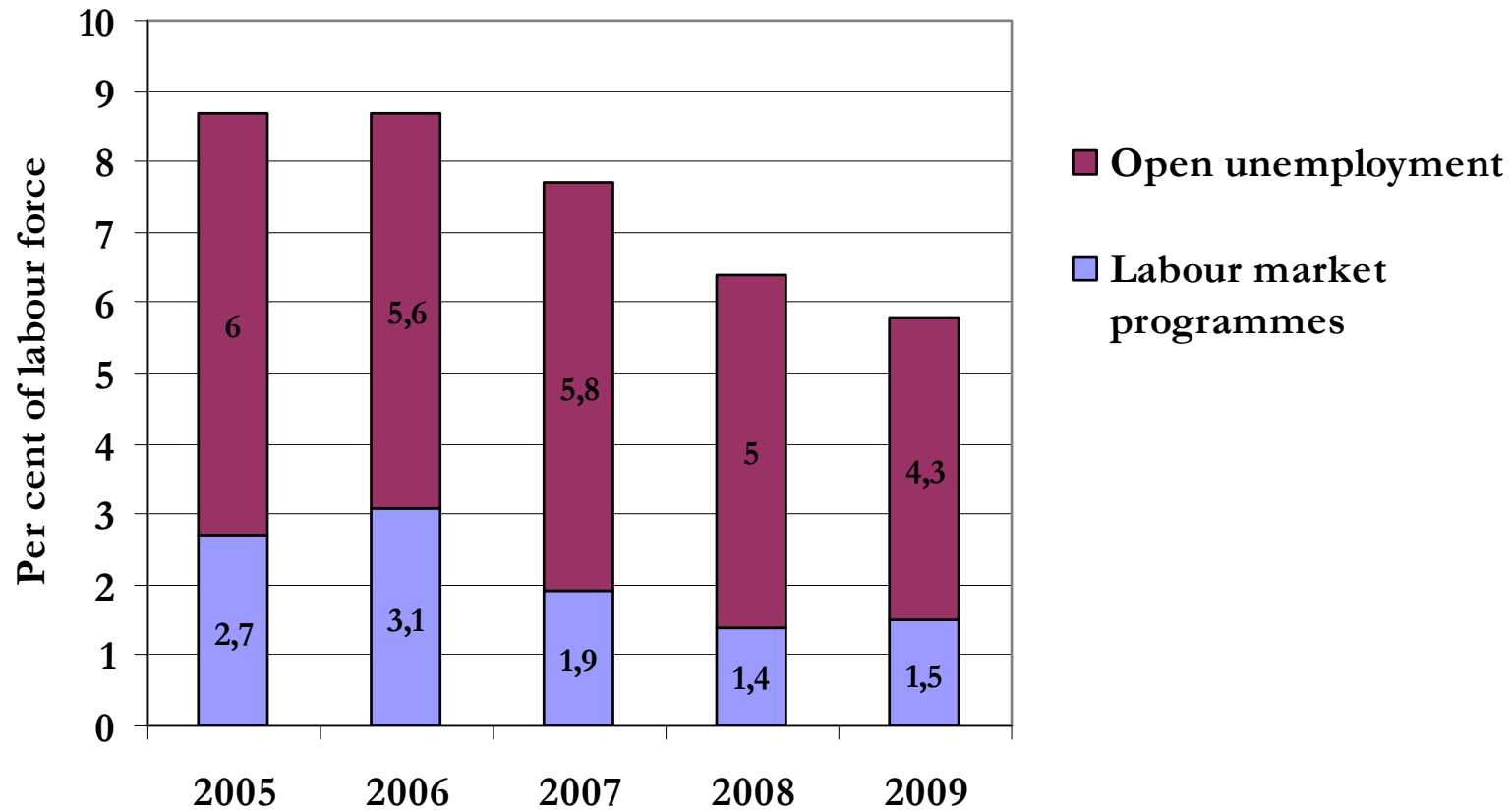
## Sweden: Forecasted GDP annual rate and CPI



Note: 2006-2009 forecast years.

Source: *Budget Bill 2007*. Ministry of Finance, Sweden

## Sweden: Unemployment rate 2005-2009

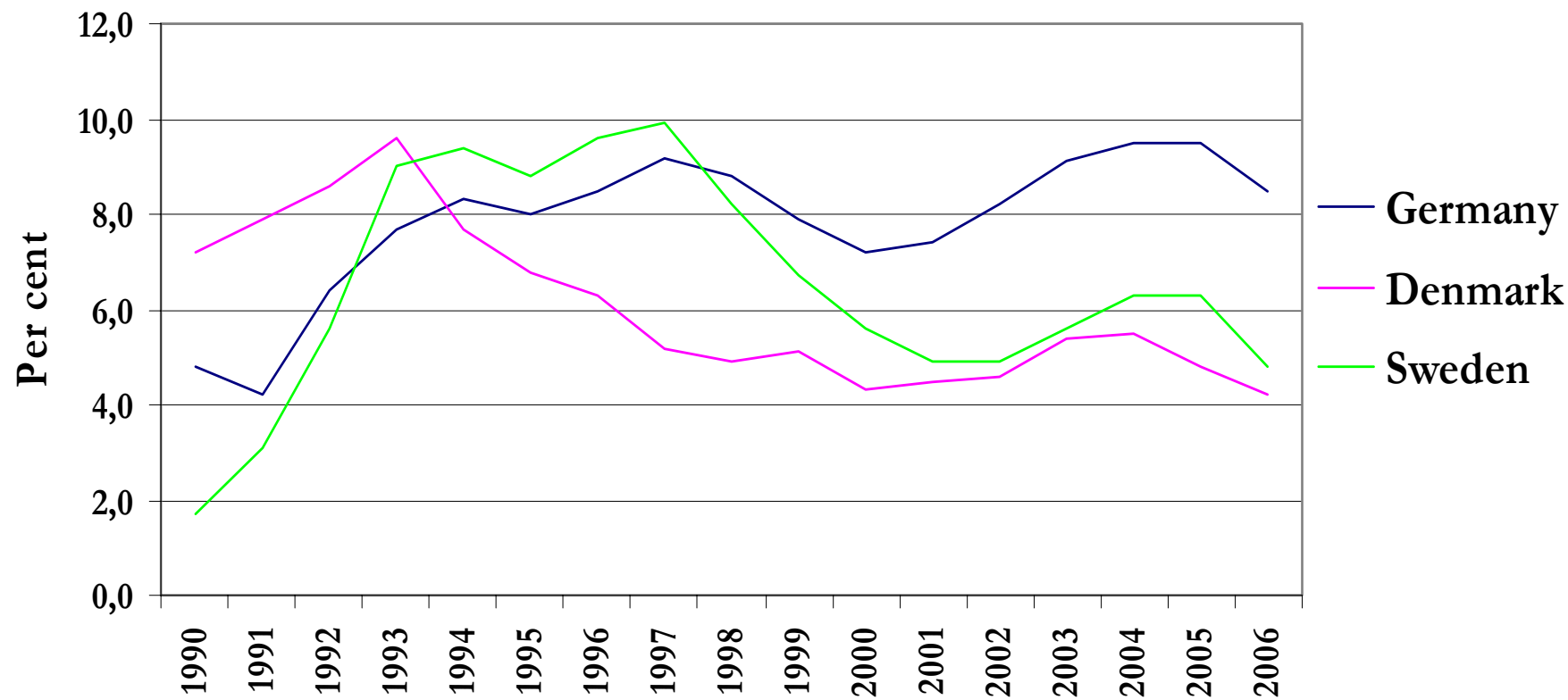


Note: 2006-2009 forecast years.

Source: *Budget Bill 2007*. Ministry of Finance, Sweden



## Standardised unemployment rates



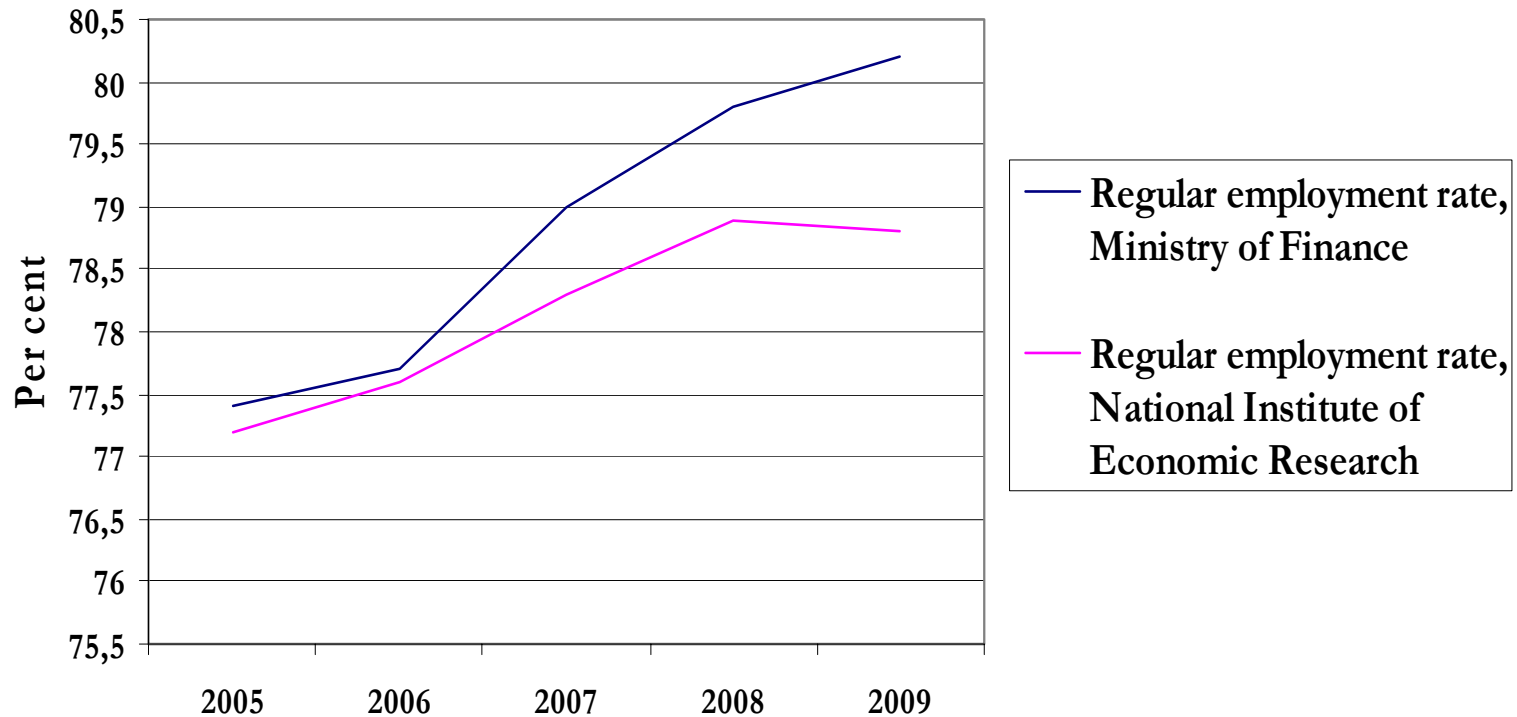
Note: ILO-standardised unemployment rates

Source OECD: *Economic Outlook*, June 2006

# Labour market in Sweden

- Low unemployment in European terms, but high in Swedish historical terms
- Cyclical unemployment still prevalent
- First and second generation immigrants higher unemployment rates
- Mismatch between education and demand
- High demands on labour productivity from employers, many elderly in jobs – many in early retirement and high illness rates

## Sweden: Forecasted regular employment rate



Note: Figures in per cent of population employed in age group 20-64 years, excluding selected labour market programmes. Sources: *Budget Bill 2007*, Ministry of Finance, Sweden (October 2006). *Wage Formation*, National Institute of Economic Research (September 2006).

# Employment optimism by new government

- Regular employment rate increases to 79 per cent already in 2007 according to the government.
- Optimistic view, counting in broad active programme - new start jobs - with waiver of non-wage labour costs.
- View on employment rate not in full accordance with other forecasters
- Unemployment below 6 per cent in 2009

# Rhetorics and reality

- Goal of new government said to be full employment... but no definition given in budget bill ( maybe spring bill ?)
- Quantity of jobs is focus...not quality of jobs
- Increase in productivity and knowledge ... but large cuts in adult education
- "Workers party" ..but cuts in employee security

# Rhetorics and reality (2)

- Tax-funded strong welfare for all.... but cuts in general coverage of social insurances
- Collective agreements is part of our model... but through more expensive unemployment insurance also weakening of union density and legitimacy of unions as negotiators of collective agreements

.....Swedish model changed by new government - in reality