

The Swedish Model in Employment. Post-Crisis Solutions

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Abstract. *The Swedish model in the field of employment is part of the Nordic countries model focused on labour market flexibility in terms of a generous welfare system. This paper presents the characteristics of this model and its application effects in Sweden before and after the current crisis. According to specialized studies and registered indicators, Sweden has very good results in terms of general well-being, quality of life, employment of labour resources, being among the top countries. Thus, since the experience of the developed countries should be a benchmark for the developing countries, the purpose of the paper is to identify some measures that can be applied in Romania to improve employment, economic and social policies.*

Keywords: employment; occupational model of the Nordic countries; Sweden's labour market; economic crisis.

JEL Codes: J08, J21, O11.

REL Codes: 12G, 20A.

Introduction

According to international statistics, Sweden records very good results at the macroeconomic level, with positive implications on the quality of life and general welfare. These results are based on active policies applied to the labour market conditions, investment in education, investment in research and innovation.

The Swedish model of employment is part of the model applied by the Nordic countries (Denmark, Finland, Norway and Sweden), each country with some specificity in the occupational field. Using statistical cluster analysis, Gaard (2005) concludes that the Danish model is part of the north European regime, which also includes countries like the Netherlands and Sweden. This is applied differently in these countries regarding the degree of flexibility in labour market and generosity of unemployment benefits. Thus, it is justified the registration of different performance in employment in these countries.

The benchmark for the model applied in the Nordic countries in employment is represented by the Danish model of flexicurity. This is also called the Danish Golden Triangle which also includes and combines employment protection measures with ensuring generous unemployment benefits and active labour market policy implementation.

The Nordic countries model suggests that a flexible labour market can coexist with a generous social system, while maintaining low unemployment. In other words, this model involves reducing unemployment and applying high standards of social security for the unemployed people. But studies have shown that the success of the application depends on the Nordic model and the initial unemployment level but also the country's economic situation (Zhou, 2007).

The application of this model is quite expensive, the tax burden being quite high to finance the costs of labour market programs which also includes unemployment benefits. Thus, this model would be difficult to implement in a country with budgetary difficulties. However, the Nordic model can be studied and may be useful in improving employment policies for any other country. Indeed one can not copy a successful model so that any country to obtain very good results in one area, but the experience of developed countries can positively influence certain aspects of the economic and social policies in other countries.

The Swedish model in the field of employment

In the specialized literature it is widely discussed the efficiency of applying the Nordic model, and especially the Danish one also in other countries, more or less developed.

Wilthagen, Tros, and Van Lieshout (2003) define the flexicurity model as a strategy that aims to increase while labour market flexibility and employment security maintain a high level of employment. Bredgaard, Larsen and Madsen (2005) disagree with this definition, in their opinion the Danish model is not a real strategy but rather is the result of the historical and institutional evolution and social compromises. The same opinion is shared by Anderson and Svarer (2006) who question the success of this model in other countries. On the one hand it is considered that Denmark has a long experience in applying this model and the experience of other countries, like Sweden, Ireland and United Kingdom has shown that unemployment has been reduced by applying different social protection policies. On the other hand, very generous unemployment benefits can lead to moral hazard problems that could prevent achieving efficiency in applying the Danish model.

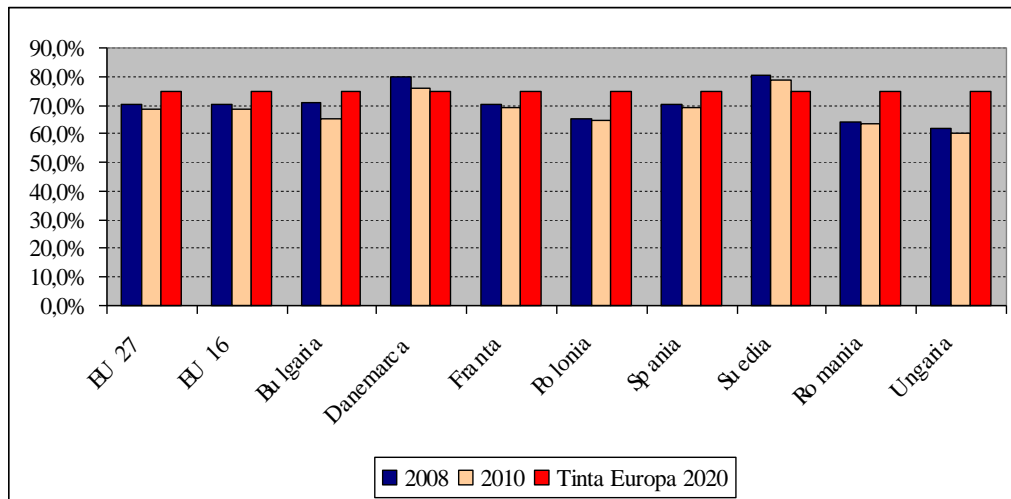
Sweden is similar to Denmark in terms of public sector size and generosity of the social protection system, but now has a more rigid labour market.

Labour market policies in Sweden have a long tradition of achieving agreements between professional associations and unions as well as active labour market policies. Employment policies are based, particularly, on active measures. Passive measures, especially unemployment benefits, were introduced relatively late and were not very generous at first. The Swedish state did not intervene too much in labour market regulation until 1970, but after this period there were introduced many laws regulating the labour market (De Beer, Schils, 2009).

Currently the active policies in the employment field applied in Sweden focus on two types of measures:

- measures aimed at stimulating demand and creating new jobs both in the public and in the private sector;
- measures on supply and they focus on training, vocational training programs and job placement programs.

The indicators registered on the labour market in Sweden show the efficiency of policies adopted both before the current financial and economic crisis and the means to overcome it. Among the specific labour market indicators, employment rate, long-term unemployment, access to employment the ratio between work and personal life stand out.



Source: Eurostat, 2010.

http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020_10

Figure 1. *Employment rate (20-64 years), in 2008, 2010, reported to Europe Target 2020 (75%)*

In Sweden the employment rate is over 75%, exceeding the target of Europe 2020 both before the crisis (80.4% in 2008) and after the crisis (78.7% in 2010). If we analyze the situation recorded in the other countries shown in Figure 1, we see that the effects of the economic crisis on employment were strongest in Bulgaria, Spain and Hungary. The decrease of the employment rate in Romania due to the crisis led our country to be further away from the strategy of the Europe Target 2020 (75%), down from 64.4% in 2008 to 63.3% in 2010.

Long-term unemployment rate (unemployed for over a year) is only 1.4% in Sweden, even though unemployment benefit is generous and is offered for a period exceeding 300 days.

Measuring the access to employment, based on the sub-indicators employment and long rate unemployment places Sweden in 10th place among the OECD countries, accounting for above-average results.

Swedish employment policies put particular emphasis on achieving a balance between family and work life. Thus, the Swedes devote 65% of the day (15.5 hours) for personal care and leisure and working time is only 1,610 hours per year (Statistical Yearbook of Sweden, 2011)

Unemployment benefits are given as follows: the first 200 days it is 80% of previous earnings, while the average salary is around 3,500 Euros per month.

The next 100 days, unemployment benefits decrease to 70% of the previous earnings, and then unemployed people can sign up in Job and Development Guarantee program, which offers assistance in job search, during which unemployment benefits are 65% of the previous earnings.

These indicators show the efficiency of employment policies, which are correlated with the educational, social, environmental and health policies. According to the Index Better Life (calculated by the OECD), Sweden has among the best results both in the labour market field and in the educational, health, environment, quality of life field. For example, 91% of young people (25-34 years) have at least graduated from high school, the average of school years is 11.7 years, 96% of the Swedish people is based on the community's aid, 48% of Swedes have helped a stranger in the last month, average life expectancy at birth is 81.4 years; 79% of the population consider to have a high level of health, 83% of Swedes are pleased with their lives, 76% reported having more positive experiences in a day (pride, joy, rest) than negative (stress, sadness, boredom); air pollution is the lowest in the OECD countries. These are just some aspects captured by Better Life Index, calculated by the OECD (2011) for the member countries, highlighting the coordination of macroeconomic policies in Sweden.

Post-crisis solutions adopted by Sweden on the labour market

The Swedish labour market is characterized by high employment protection, generous unemployment benefits, high costs of implementation of labour market programs, and taxes on high income.

Employment legislation is approved by the parliament, but is supplemented by collective agreements and individual negotiations. Collective agreements complete the law both in wage setting and in the development of collective social insurance, in setting the working hours, working conditions, holidays or layoffs. This means that the law establishes certain basic conditions with regard to wages, working time, redundancies and leaves, which are valid if there are no collective agreements, or which are supplemented by these agreements, usually for the benefit of the employees.

The efforts to support employment growth and especially labour efficiency are made both at individual and at organizational and governmental level.

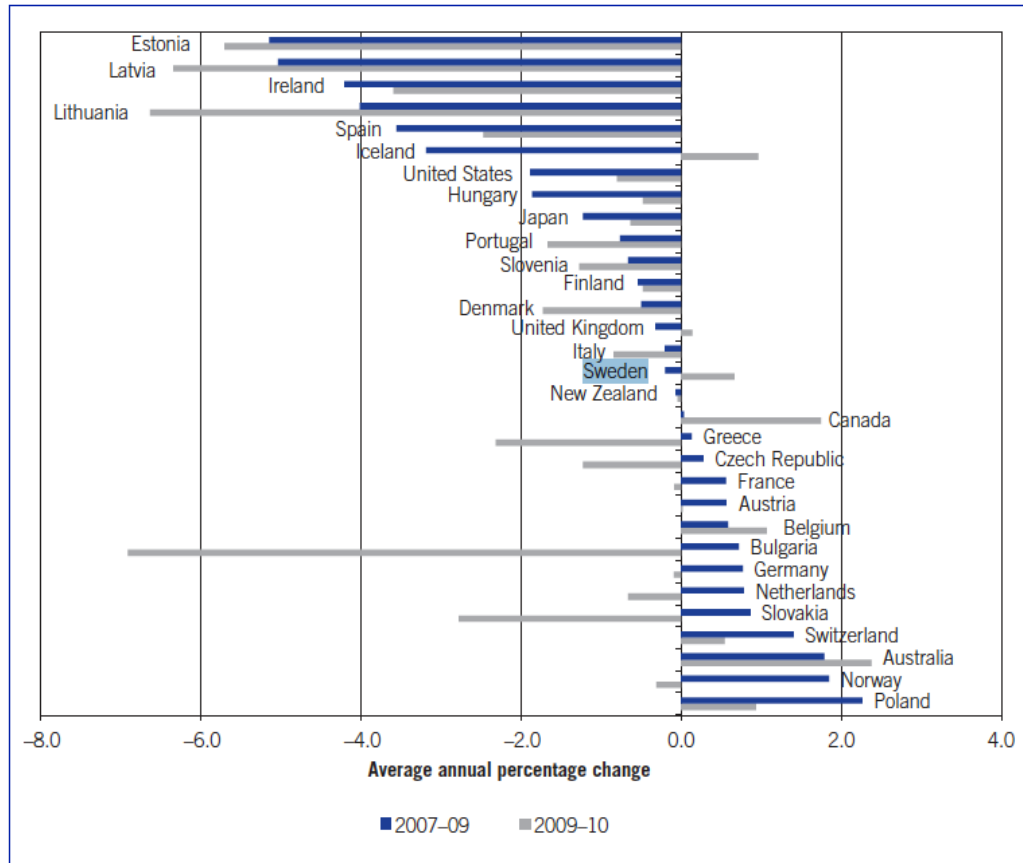
At the individual level the contribution of each individual consists of the investment in education, participation in lifelong learning, responsibility and ethics in carrying out the activities.

At the organizational level, Sweden is investing heavily in research and innovation, being one of the leaders in innovation, with results above the EU-27 average. For example, in terms of research and development expenditures in business, Sweden exceeds with 100% more than average of the same expenditures made at EU level-27. Romania achieves only 15% of these expenses. Also in Sweden companies invest in people through training programs and develop fields of intensive knowledge.

At the government level active employment policies are supported aimed at subsidizing the creation of jobs, organizing training and retraining courses, granting of subsidies to hire young people, offering support for small businesses and overcoming the crisis.

Active labour market policies include three categories of programs: professional training, employment programs and work practice programs. These programs expanded rapidly in Sweden after the crisis in 1990 and remained in smaller sizes until 2000. Over the last years there has been an increase in these programs, in order to overcome the current economic crisis, the latest budget of Sweden putting special emphasis on the active policies aimed at long-term unemployed and young people (Krueger, Lindahl, 2009).

If we analyze the annual changes in employment in Sweden before and after the current crisis, shown in Figure 2 we see a decrease of employment rate by more than 2 percentage points in 2007-2009, decrease that is recovered in the following period (2009-2010). Among the countries which recorded the strongest employment rate decreases in both periods analyzed there are Estonia, Latvia, Lithuania, Ireland and Spain. Countries that lost fewer jobs as a result of the crisis and which recovered some or all losses in employment are Sweden, Iceland and United Kingdom. Other countries had positive changes in employment, even if they were lower after the crisis. Among these countries are Switzerland, Norway, Belgium and Poland. Greece, Bulgaria and Slovakia registered strong declines in employment after the crisis, in 2009-2010.



Source: Global Employment Trends 2011, ILO, Geneva, 2011, p. 30.

Figure 2. Annual change in employment, 2007-2009 (annual average) and 2009-2010

The solutions adopted by Sweden in the labour market to reduce the decrease of the employment rate and improve labour market integration targeted:

- *measures concerning labour demand:*
 - subsidizing jobs by increasing subsidies to stimulate employment at the level of the local administrations;
 - non-salary cost reductions for employers, such as reduction for the employer's social security contributions;
 - postponement for the payment of the employer's social insurance with two months and for the payment of taxes up to 12 months;

- measures to stimulate demand for labour in the construction sector by creating a tax credit for repairs and maintenance;
- additional government investment in infrastructure to support employment in construction;
- *measures to help the unemployed people in finding a job:*
 - job search assistance for unemployed people, by expanding the job search programs and job placement programs;
 - increasing professional training programs;
 - incentives for exporters and small firms;
 - incentives for the development of new businesses, such as reducing the social security contributions;
 - income support for those who lose their jobs and those with low incomes;
 - fiscal measures to boost the net income of those with low wage;
- *measures to support professional training:*
 - professional training programs for employees and increasing access to education by increasing the number of free places at colleges and universities, increasing the financial support for students, continuing education programs;
- *other measures:*
 - the reduction of the taxation rate for most levels of income;
 - the reduction of labour income tax.

Among the active measures implemented in Sweden in the year 2010, the incentives to increase employment (61.7%) and rehabilitation and training programs have the biggest share (36%).

These measures applied to the labour market in Sweden were supported by other educational, social and fiscal policies, Sweden having experience in the coordination of macroeconomic policies and their constant support over time.

Conclusions

Based on the analysis carried out it can be concluded that Sweden has a positive experience in the field of employment, mainly due to active labour market policy implementation, which focused on investment in people, education and innovation.

Indeed, even for the same type of program, such as job search assistance, and training and retraining programs, there are differences from one country to another, both in the design, content and in their implementation. Nevertheless

knowing how to develop and implement these programs in the developed countries which have achieved positive results over time can be a milestone for the development of appropriate policies in the countries with less favourable experiences.

Thus we can take into account the beneficial effect of the active labour market policy implementation, which creates long-term positive results by increasing the number of jobs and work efficiency as well as workforce training in relation to labour market requirements, which are constantly changing. Also success in the sustainable development of an economy depends on the coordination of macroeconomic policies: occupational, educational, social, health and environmental protection.

For Romania, catching up with the developed countries can only be achieved by adopting a mixture of policies both at the organizational level, and at the national level, focusing on the investment in people and human capital development through education, research and innovation.

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