

ESSAY

SAVING THE SWEDISH MODEL

LEARNING FROM SWEDEN'S
RETURN TO FULL EMPLOYMENT
IN THE LATE 1990s

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SAVING THE SWEDISH MODEL: LEARNING FROM SWEDEN'S RETURN TO FULL EMPLOYMENT IN THE LATE 1990s

PÄR NUDER

A premature obituary

In the early 1990s, the Swedish labour market was hit by the worst shock it had experienced since the 1930s. Between the summers of 1990 and 1993, Sweden suffered three years of negative growth. The peak-to-trough fall in GDP was nearly 5 per cent, total employment fell by more than 12 per cent from 1990 to 1994, and employment in manufacturing fell by almost one-quarter.

In three years, public debt doubled, unemployment tripled, and the government budget deficit increased 10-fold, making it the largest of any OECD country at more than 10 per cent. There were even rumours that the International Monetary Fund would come in and take over. Economic experts abroad announced the death of the 'Swedish model'. It was, however, a premature obituary.¹

The Social Democrats returned to power in 1994 knowing they had to reduce the deficit dramatically. It took four years for the government to balance the budget. Between 1994 and 2006, the Swedish economy created 400,000 new jobs, equivalent to 9 per cent of the labour force. By the end of that period, Sweden had the second-highest employment rate in the EU and unemployment had fallen to around 4 per cent. Disposable income was rising and inflation ran below the European average.

How was this turnaround possible and what are the political lessons?

A homemade financial crisis

Sweden was unprepared for the rapid deregulation of the credit market that it undertook in the mid-1980s. Cheap money led to a rapidly growing stock of debt. Without proper supervision, banks were allowed to grant risky loans and mortgages and private savings turned negative. Sweden also made successive devaluations of its currency (the krona) to improve its international competitiveness. This enabled Sweden to avoid many of the structural reforms that would otherwise have been necessary to keep inflation and wages down in the long term.

Instead, from the late 1980s, inflation accelerated, the krona became overvalued and exports fell. Asset prices collapsed, debt defaults soared and the banking system was – for all practical purposes – insolvent by autumn 1990. It was a full-blown homemade financial crisis. Sweden had to spend 4 per cent of GDP rescuing its ailing banks,² and the recession that followed the banking crisis was severe.

The country did not, however, simply bail out its financial institutions. Instead, banks had to write down losses and issue warrants to the government. The strategy turned the government into an owner of bank assets. When distressed assets were sold, the profits came back to taxpayers and the government was able to sell its shares in the companies at a later date.

Choosing the long term over the short term

Financial crises and budget consolidation processes are typically followed by high and stubborn unemployment. These consequences must be considered from the start when undertaking measures to get the deficit under control. Sorting out the public finances is just a means: combating unemployment should be the real goal.

1 For more details on the consolidation process see for example Henriksson 2007 or Nuder 2010.

2 The final costs, however, ended up being much less – close to zero, some argue. See for example Jonung 2009.

When the Social Democratic party took office in October 1994, it had to take action. Sweden had a budget deficit of 10 per cent of GDP, the highest among OECD countries. In 1993, the government's annual borrowing requirement was a monumental 17 per cent of GDP. A Swedish newspaper showed a picture of a newborn child to accompany the headline: 'Born with a debt of 150,000 Swedish krona'. Sweden's public debt had doubled in three years, and only by substantially reducing the deficit could Sweden achieve stability and sustainable growth.

In November 1994, the first bill presenting a large consolidation programme was presented to parliament, amounting to 7.5 per cent of GDP. In April 1995, the programme was increased to 8 per cent of GDP. The Social Democrats proposed harsher cuts and sharper tax increases than any other party. Their key fiscal targets were that:

- by 1996, gross public debt was to be stabilised as a share of GDP
- by 1997, Sweden was to have a deficit of less than 3 per cent of GDP
- by 1998, the public deficit would have disappeared.³

This plan proved to be remarkably effective. By 1998, the largest deficit of any OECD country of the time had turned into a surplus of 1.9 per cent of GDP.

The consolidation programme had been based on three principles:

- It was frontloaded, so that the majority of expenditure cuts were put in place in the first two years.
- It was designed to share the burden as fairly as possible, with those on high incomes contributing the most.
- Education was deemed more important to protect than income transfers to households.

The government attacked the deficit by reducing government spending in general, by cutting cash transfers, and by raising taxes. Spending cuts accounted for approximately 53 per cent of total savings, compared to 47 per cent from higher taxes.

By presenting the measures together, the government made it clear to all interest groups that none was alone in being asked to make sacrifices.⁴ A flat 11 per cent was taken from all government expenditures with only a few exceptions. The government recognised that cutting down on those public services that improve the ability of people to work would result in less competitive labour markets and slower economic growth. This was the all-important medium-term perspective that led the Swedish government to decide to protect the education budget as far as possible from the programme of cuts.

The government safeguarded spending on childcare and education and instead made the deepest cuts in the social transfer system: unemployment insurance, maternity and paternity pay, and child benefit. The reasoning was that an adult could live with a lower income for a couple of years but it would be much harder to compensate someone for a poor education.

3 As public finances improved, a medium-term target for public finances was articulated: 'The surplus in public finances should be two percent of GDP over the business cycle.' This was to ensure that Sweden wouldn't get into trouble again.

4 However, since economic and political conditions are unpredictable by nature it asked for an open mandate to adjust the programme should circumstances change.

This strategy, however, was not popular and led to massive protests, fuelled by the media. This wasn't a surprise: cutting benefits in a situation with very high unemployment meant that many households suffered significant drops in income. It would have been much easier politically to protect transfers and thereby household incomes. However, this would have required the government to sacrifice investment in education, which in turn would have led to long-term economic damage and people being worse-off in the end.

For a responsible government, a budget consolidation can never be about cutting the deficit at the lowest political cost. It needs to be about cutting the deficit in a way that sets up the economy to fight unemployment as efficiently as possible. As the Swedish experience shows, this might lead to some tough choices and difficult trade-offs.

Telling a story of national survival

The Swedish financial crisis severely tested the political system. Debt always does. A country with deficit and debt problems is constantly monitored by the financial markets. Social Democratic prime minister Göran Persson,⁵ who was finance minister between 1994 and 1996, has often admitted the humiliation he felt at going cap-in-hand to 'the sneering young financial mob on Wall Street' as a borrower. When these '28-year-olds in expensive suits' questioned the size of Swedish unemployment benefits, he couldn't tell them it was none of their business. A country that each and every day has to borrow money is in the hands of its creditors. This leads to a shift of power away from the open chambers of the people's representatives to the closed rooms of the financial markets. If Swedes were to be in control of their own destiny, and not dependent on the global credit market, prompt and radical measures were required. This was the reasoning of the Social Democratic government.

Budget consolidations are often portrayed as a matter of economics alone, but the complex and messy processes that constitute reform depend equally on the holy trinity of politics, policy and narrative. The way a government argues for its budget consolidation programme is as important as the programme itself. If a government is not able to create public trust in its measures, those measures will create social unrest, which in turn will distress the financial markets – the same financial markets the measures were designed to placate in the first place.

The Social Democrats started telling their story: that the cuts were, at root, a fight for the survival of the Swedish model itself. Restoring the health of public finances is a prerequisite for preserving the public sector in the long term, so the argument went. If public money is to be injected into an economy suffering from a lack of demand then budget deficits are a necessity – but these surpluses must be built up in periods of economic growth. A large public sector with a generous social safety net requires strong public finances. Moreover, sustainable surpluses are a prerequisite for keeping inflation low. For the Swedish central bank to be able to target inflation effectively, it is necessary for the government to pursue a sound fiscal policy and for trade unions to keep wage growth in line with the inflation target.

In the end, low inflation is itself a prerequisite for the fair distribution of resources. In Swedish social democratic thinking, this line of thought goes back to the labour economists Gösta Rehn and Rudolf Meidner, who gave their names to the 'Swedish model' the nation was out to save.

5 Göran Persson was prime minister from 1996 to 2006 and leader of the Swedish Social Democratic party from 1996 to 2007.

Flexicurity – before flexicurity was even a word

The Rehn-Meidner model is a unique Swedish contribution to the field of macro-economics, and one of the few coherent visions of economic policy beyond Keynesianism. The model is both a programme of economic and wage policy and a theory of inflation, growth, wages and profits. It was developed in the 1950s to reconcile the goals of full employment, economic growth, redistribution and low inflation.⁶

The Rehn-Meidner model consisted of three major components:

- **restrictive fiscal and monetary policies** to control inflation in a fixed exchange rate regime⁷
- a **centralised wage bargaining system** to achieve wage moderation and keep inflation down
- **active labour market programmes, vocational training and employment subsidies** used counter-cyclically to achieve full employment and labour mobility.⁸

For many years, this model provided the broader economic and political context within which Swedish labour market policy and solidaristic wage policy⁹ was understood.

The model featured a centralised system of wage bargaining, designed to ensure that wages were set too high for inefficient and uncompetitive firms and too low for highly competitive and productive firms. Firms that fell into the former category faced the choice to improve or go out of business, while those in the latter would increase their profitability.

‘Secure people dare’ is a famous slogan of the Swedish Social Democratic party, fully in line with the sentiment of the Rehn-Meidner model. If workers are not protected, so the argument goes, they will soon demand that their jobs are protected. This may explain why countries with weak safety nets tend towards protectionism (Katzenstein 1987). In Rehn’s memorable phrase, the goal must be ‘to provide people with security, not in the form of a seashell, but in the form of wings’.

Sweden is a small country with a long history of free-trade policy, exposure to foreign competition and international markets. The structural transformations of the Swedish economy have always been very dramatic: jobs and industries have moved abroad at a very great rate. However, a consensus has formed that, in the long run, this process will also create new jobs, of better quality and higher paid. Strong trade unions have in various ways played an active role in reinforcing the restructuring of the economy.

To compensate workers who lost their jobs as part of the process of continuous restructuring, the state committed itself to retraining and relocating them for new ones. ‘Social bridges’ is a term used in Sweden to describe measures aimed at reducing adjustment costs for employees when economic restructuring causes redundancies, enabling them to seize new opportunities. From the late 1950s to the early 1970s, Swedish economic (and wage) policy was inspired by this theory. The model is in many ways similar to the Danish flexicurity model advocated by the EU commission in the late 2000s.¹⁰

6 For more on Rehn-Meidner model in English, see for example Anxo and Niklasson 2006

7 According to Rehn and Meidner, expansive monetary or fiscal policy causes inflation and current account deficits. This calls for a contractionary policy which, in turn, causes unemployment. Rehn and Meidner sought to replace this Keynesian approach with a policy that permanently kept the rate of inflation under control.

8 Policies were implemented through the decentralised National Labour Market Board (AMS).

9 ‘Solidaristic wage bargaining’ refers to a system of wage bargaining whereby nationwide ‘going rates’ are set for broad occupational groups, without reference to the profitability of particular firms or industry sectors.

10 However, the macroeconomic policy of the Danish flexicurity model is unclear and it differs in its view of coordinated central wage bargaining.

In the 1970s and 1980s, wage bargaining became increasingly decentralised, fraying the principle of solidarity. Times and circumstances changed, and the Rehn-Meidner model was abandoned.

However, two of its fundamental ideas were important starting points for the Social Democratic government's response to the twin challenges of a high deficit and high unemployment that it encountered after returning to power in 1994. These were, first, the use of restrictive fiscal policy to control inflation and, second, 'social bridges' to help people manage change. In this sense, the basis of the response to the early 1990s crisis – selective employment policy within a framework of restrictive macroeconomic policy – wasn't new to Swedish social democracy.

Active labour market policy

In a severe recession, many people who are inactive lose contact with working life and do not maintain the skills needed to rejoin the labour market when demand picks up. In these circumstances, it is important to avoid a 'culture of unemployment'. To ensure these people remain attractive on the regular labour market, it is necessary to support their re-employment through active labour market policies. The Swedish experiences of the 1990s provide a unique example of the use of large-scale active labour market programmes. In the mid-1990s, these kinds of programmes accounted for around 5 per cent of the labour force.

Active labour market policy has a long history in Sweden. It is important to constantly tailor and change the programmes so that they can continue to fulfill their purpose when circumstances and conditions change. Faced by the mass unemployment of the 1930s, Franklin D Roosevelt said that he would try anything. 'If it fails,' he said, 'admit it frankly and try another. But above all, try something.' In this sense, policymaking is often more likely to be successful if it is aware of local conditions, making it easier for actors to respond quickly to developments.

In Sweden, the government used *objectives* rather than *directives* to deliver its labour market programmes, ensuring a considerable degree of local autonomy. This has been essential for a labour market policy that is flexible and efficient. Regional and local authorities implemented national policies, taking into account local labour market conditions and needs. After 1997, the role of local employment offices and municipal governments in tackling unemployment was strengthened while central resources were cut back.

The labour market programmes used during the 1990s can be subdivided into three main categories: training, subsidised employment, and 'work practice' schemes.

For a long time, labour market training was equivalent to vocational training. Structural change used to be a process of new technology eliminating old professions, while new labour markets emerged in new industries. This was the view of the Rehn-Meidner model. However, in the new economy, especially since the mid-1990s, a lot of restructuring happens within existing industries. Labour market policy had to be updated, and so training came to involve more preparatory courses, centred around computer and IT skills.

Subsidised employment has taken many forms. During the 1990s, so-called 'work experience' schemes dominated. Participants were placed in jobs that would otherwise not have existed in order to avoid crowding out other workers. Wage subsidies were paid to employers for hiring mainly long-term unemployed workers. These programmes peaked in 1995 with almost 2.5 per cent of the workforce participating, at a cost of between 6,993 and 9,294 krona per month per participant.

Work practice programmes involved both work and training, and normally paid participants an amount corresponding to their level of unemployment insurance. Programmes targeted at youth were usually of this kind, and the monthly cost was approximately 5,968 per person (Carling and Richardson 2001). There were also work practice programmes targeted at other groups, including immigrants and unemployed school graduates.

A ‘self-employment project work experience scheme’ was introduced in 1996, consisting of a three-week course covering basic business administration skills and a two-to-six month project, through which participants were helped to develop their business idea through market research and presentations. Participants were entitled to a ‘self-employment grant’ equivalent to unemployment benefit for six months.¹¹ The cost was calculated at 9,689 krona per month per person.

‘Resource jobs’ were introduced in 1997 and offered a subsidy to employers for temporarily hiring unemployed workers. Participants were engaged in both work experience and training, with the wage subsidy capped at 90 per cent of the participant’s previous income. Later in the 1990s, there was an increased focus on the long-term unemployed, and several forms of employment subsidies that have been in use since 1998 have been targeted explicitly at the long-term unemployed.

In August 2000, the ‘activity guarantee’ was introduced, in step with changes to the rules of the unemployment insurance system. Participating in a labour market programme no longer qualified an individual for renewed unemployment insurance eligibility – from now on, the only way to renew eligibility was through an ordinary job. If an unemployed worker did not find a job within 14 months of starting a claim for unemployment benefit then a case worker decided whether the individual was to be transferred to the activity guarantee, a framework within which the participant is required to search for a job, participate in a regular labour market programme or be engaged in training.

New labour market programmes continued to be piloted in the 2000s. A new programme called ‘sabbatical leave’ was piloted in 2002 and rolled out nationally in 2005. Workers could take leave for up to a year and be replaced by an unemployed person, who would gain work experience and a recent work reference.¹² In 2006, ‘Plusjobs’ were introduced, providing full wage subsidies for public sector employment. The positions were available for those unemployed for over two years, and about 80 per cent of the jobs were in schools, childcare and social care. Participants had to be engaged in tasks that were not previously carried out in order to avoid crowding-out effects.

The importance of targets

In 1996, the Social Democratic government pledged to halve the unemployment rate within four years – a very ambitious goal. The government committed itself to combatting unemployment as resolutely as it did because by then it had already reduced the budget deficit.¹³ Achieving the unemployment target would prove to be difficult, but not

11 It was possible to get the grant extended because of unforeseen incidents, if the business was started in a sparsely populated area, or if the participant was a woman or an immigrant.

12 The sabbatical leave programme cost about 1.5 billion krona in 2005 and was not popular among economists at the Swedish Trade Union Confederation (Landsorganisationen, or LO). They argued that it didn’t create new jobs and didn’t affect the unemployment rate. The programme was piloted by the Green party, which the Social Democrats were depending on in parliament at the time.

13 See page 3 for the government’s four fiscal rules. This fourth rule (see note 3) has undoubtedly reduced Sweden’s vulnerability in times of recession. During the current economic crisis, Sweden’s deficit has held much lower than many other European countries.

impossible. The government monitored developments in the labour market in relation to the employment goal, with checkpoints every six months beginning from spring 1997. Target-setting allows policies to be measured and evaluated. It helps to motivate politicians and public servants and it promotes accountability. It is also a powerful communications tool, allowing the government to create a clear narrative around its political priorities.

The promise to halve unemployment by the turn of the century had a three-pronged purpose: it set the terms of the debate on employment, it demonstrated clearly the Social Democrats' objectives, and it ensured that the government could be held to account.

Defining the terms of the debate and what you will be held accountable for bestows a huge political advantage. But for a target to function in this way it needs to be very ambitious. The goal of halving unemployment by the turn of the century was framed as something requiring a national mustering of strength, between the political parties, between different interests in society and between individual citizens. The struggle for full employment was framed as a story about the struggle for national cohesion.

Structural reforms

Any strategic fight against unemployment during and after a deep recession should consider the structural problems which constrain growth and tax revenues, as well as the economic impact of taxation and public spending. In Sweden, in parallel with the programme of budget consolidation, several structural reforms were introduced:

- Sweden gained access to the European single market by joining the EU in 1995.
- Legislation was passed in 1994 to reform the Swedish pension system from an unsustainable pay-as-you-go system to a partially state-funded system with defined private contributions.
- Sweden gave formal independence to the central bank and the national audit office.
- The electoral term was extended from three to four years, which guaranteed a more responsible fiscal policy, with decisions made with the long term in mind.

An unprecedented 'knowledge lift'

A good education increases people's chances of finding work. Naturally, this places a significant responsibility on the education system, from preschool to university. Education must be of a high quality and available to everyone. However, this is only part of the answer.

An educational system must also give people *several* chances and opportunities. If you never finished high school in your teens, you should be able to do it in your 20s, or in your 30s or even later on. In the economy of the 1990s, the employment position of low-skilled workers had already diminished. It was also likely that the development of new production technologies would continue at a high rate, increasing the need for a flexible and suitably skilled workforce.

This analysis of the nature of the economy on the other, brighter side of the crisis led the Social Democratic government to introduce an adult education programme unmatched in size and scope anywhere in the world. The 'Knowledge Lift' programme, introduced in 1997, was targeted at workers and unemployed people with low levels of formal education. People with only basic schooling were given the chance to complete a secondary education that would qualify them for university. An employed worker received the equivalent of the unemployment benefit if they entered the programme and if their

employer agreed to replace them with an unemployed person. So the employer's costs were unchanged, and the state's costs were limited to those associated with providing the educational course. More than 10 per cent of the Swedish workforce seized the opportunity – mainly women – and many went on to study at university. When the business cycle turned up again, these 'lifted' workers provided an excellent new resource in the labour market. In this sense, the Knowledge Lift programme served a dual purpose: it eased the pain of unemployment and increased Sweden's long-term competitiveness by lifting the average competence level of the workforce.

At the same time, the government expanded the number of university and college places available across the country. Regional universities and colleges opened, and local governments and industry leaders worked together in research centres to promote the development of industrial clusters fit to exploit regional competitive advantages. Regional universities were also designed to open up higher education opportunities for new groups of students, such as for people with a working class background, who were in many cases hesitant to move away from where they grew up to one of the old university towns. In the 1990s, Sweden spent the second-largest share of GDP of any country on education and the number of openings in higher education doubled.

Investing in women's freedom

Equality between women and men is much more than a matter of justice: it ought to be more openly discussed in economic terms as well. If the barriers to women's employment were reduced so that they could fully participate in the labour force, the United States' GDP would increase by 9 per cent, the eurozone's by 13 per cent and Japan's by 16 per cent. Narrowing the gender gap in China, Russia, Indonesia, the Philippines, Vietnam and Korea could mean a 14 per cent rise in per capita incomes by the year 2020 (Lawson 2008).

Sweden's high female employment level is one of the keys to the country's economic success, and it was not achieved by accident. Sweden spends the most in the world, in terms of share of GDP, on public childcare and parental leave. The parental leave system is costly, accounting for roughly 1 per cent of GDP, but it helps to deliver greater gender equality and therefore a high employment ratio. Overall, Sweden spends around 4 per cent of GDP on programmes that help people to combine work and family – approximately the same, proportionally speaking, as the US spends on its military.¹⁴

Childcare support does not only ensure that women are not permanently detached from the labour force, it also ensures that their careers are not interrupted for long periods of time. The importance of human capital to modern, skill-based economies is immense, and much of that human capital is developed 'on the job'. Interruptions to continuous employment jeopardise this resource. In short, childcare support prevents the depletion of human capital, helping to foster economic growth.

There is another important economic aspect to childcare and parental leave programmes. The ratio of the working population to the non-working population has become increasingly unfavourable in many countries. In much of the developed world¹⁵ fertility rates are alarmingly low, with women having, on average, fewer than 1.5 children each, which is well below replacement level. At the same time, life expectancies in

14 4.7 per cent, according to the Stockholm International Peace Research Institute.

15 Large parts of southern and eastern Europe, as well as Austria, Germany, Russia and the developed nations of south-east Asia.

the west have reached record highs. This creates severe fiscal pressure, and ageing societies will naturally have a tougher time succeeding economically in an era of rapid technological change. Successful population policies require governments to make long-term investments to encourage people to have more children. Sweden has done this since the 1930s.

When the Social Democrats came to power at the height of the great depression, the economist Gunnar Myrdal wrote a bestselling book with his wife Alva.¹⁶ If Sweden was to boost its birthrates, they argued, women had to be able to both raise children and sustain careers. It was a revolutionary idea at the time but in Sweden it has been fundamental ever since – and it has worked. In times of austerity, it is a perspective that should not be overlooked. Now, in cases where public spending cuts are being targeted primarily at young families with children, they might end up hurting the long-term fiscal prospects of advanced economies significantly.

Strategic policies directed at future growth

A fight against unemployment cannot be successful if it is not attached to a broader vision of what the economy will be like on the other side of the crisis. The need for better solutions to the short-term problems of recession and the need for better solutions to long-term challenges must be linked. The Social Democratic government elected in 1994 tackled the deficit but it also did not hesitate to make strategic investments in future growth.

In order to introduce the then-new information technology to a large cross-section of the population, the government introduced a scheme that allowed people to obtain a home computer through a very favourable leasing agreement with their employers. The policy was in line with a classic Swedish social democratic approach: not only embrace what's new, but try to give as many people as possible access to it as well. Computer penetration in Sweden soon outpaced every other country in the world, and it is no coincidence our country has gone on to produce companies like Spotify and Skype.

In 1997, prime minister Persson launched a new national project called the 'Green peoples' home', echoing the 'People's home agenda' of his predecessor Per-Albin Hansson in the late 1920s. Seventy years later, Persson wanted to build on this vision and expand it into a green agenda. The main policy idea was to make local governments take greater responsibility for reducing CO₂ emissions, while at the same time creating local 'green jobs'. The programme allocated 6.2 billion krona to 211 local initiatives; when local match-funding was added, this amounted to a total investment of around 27.3 billion krona. Over half of Sweden's local authorities participated, and the substantial funding gave a clear political signal about the importance of the programme. Local authorities also hoped that the programme would support new and innovative ways of thinking, which would in turn spill over to local businesses. It is estimated that this investment programme helped to reduce Swedish CO₂ emissions by 2 million tons per year between 1998 and 2008, equivalent to nearly 75 per cent of Swedish ambitions in the first Kyoto period. At the same time, the scheme directly created 8,400 temporary year-long jobs, mostly in construction, and an additional 400 permanent jobs as an indirect effect of the conversion to biofuels (Swedish Environmental Protection Agency 2005).

16 Kris i befolkningsfrågan or 'Crisis in the Population Question' (1934)

Conclusion: finding the political vision to drive a fight against unemployment

If the budget consolidation of the 1990s was a fight to prove that the Swedish model wasn't dead, then the fight against unemployment was to show that it was the model itself that was the basis for Swedish competitiveness.

The Swedish approach was based on clear values in the sense that the policy measures were built on some of the fundamental components of the traditional Swedish model, including:

- lifelong learning
- protecting people not jobs
- active labour market policy
- the importance of childcare and education
- the importance of strong public finances.

Furthermore, it was based on an analysis of what the economy would look like after the recession, through:

- the unprecedented 'Knowledge Lift'
- public investment in broadband
- bringing information technology to a large share of the population.

Finally, it was attached to a broader political vision for society and the future:

- proving that the Swedish model was not dead
- building the 'Green people's home'
- expanding education to new groups
- turning the fight against unemployment into a national project.

Today, Sweden has many problems. Unemployment stands at almost 8 per cent, with youth unemployment at around 20 per cent. The school system is not delivering and the country needs radical reforms for a new age. However, Sweden's experiences in the 1990s shows that high unemployment can be tackled with the right mix of policies and politics.

The situation many countries face today is, of course, very different. The financial crisis is global, not domestic. Interest rates are low, not high. But now, as ever, the fight against unemployment must still be linked to the challenges of our times: climate change, an ageing population and the need for men and women to combine their work and family lives.

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