

SPRING 2017 REFORM BAROMETER – SWEDEN

European Semester - Overall assessment of 2016 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (February/November 2016) is appropriate.	To some extent	Even though Sweden has a high employment rate we need more hours worked in our economy, especially since we have very high welfare ambitions and a demographic challenge with more elderly people in the population. It is also important to reduce the time it takes for immigrants to get their first job (median today 8 years). More labour market reforms are therefore needed. Also, the housing market has to be reformed more extensively than what is planned by the government. For instance, better tax incentives that increase the number of transactions are needed.
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	Among many important things addressed in the recommendations we stress the necessity to improve the efficiency of the housing market, by introducing more flexibility in setting rental prices and by revising the design of the capital gains tax to facilitate more housing transactions. However, we would also have preferred additional recommendations in other areas. Especially much needed reforms to improve labour market efficiency and measures aimed at helping job seekers with less qualifications find employment.
3.	The Commission assessment of reform implementation the year before is appropriate.	To a large extent	Despite having a high employment rate, it is crucial to increase it further in light of the demographic challenges Sweden will face in the future.

	To what extent do you agree with these statements:		Detailed comments
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	To a large extent	The Commission correctly identifies household debt as a risk to the macroeconomic stability of the Swedish economy. However, it fails to sufficiently emphasise the importance of reforms that lead to an increase in the supply of housing stock as part of the solution to this problem. Household indebtedness is a potential risk but the possible macroprudential policies that might be adopted in the near future should be constructed in a manner in order not to curb lending to firms to an unnecessarily large extent.

Assessment of Country Specific recommendations 2016 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Address the rise in household debt by adjusting fiscal incentives, in particular by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes. Ensure that the macro-prudential authority has the legal mandate to implement measures to safeguard financial stability in a timely manner. Foster investment in housing and improve the efficiency of the housing market, including by introducing more flexibility in setting rental prices and by revising the design of the capital gains tax to facilitate more housing transactions.	Important	Unsatisfactory	The reduction in the tax deductibility has to be gradual. Furthermore, capital income tax should be lowered symmetrically. Increasing the pace of mortgage amortisation could be a good measure to help reduce household debt. There is a need for increasing the turnover in the residential market. This is currently mitigated by the rent-setting system and capital gains taxation on residential property.

Reform Progress in your Member State in 2016

How would you assess reform progress in 2016, for the following broad areas:

Taxation and Public Finances	Unsatisfactory
Business environment (regulation/access to markets)	Unsatisfactory
Labour market	Unsatisfactory
Innovation and skills	Mixed
Access to finance and Financial stability	Mixed

Reform priorities for 2017

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Labour supply measures for specific groups (older workers, women...)	Have to put appropriate incentive schemes in place in order for, especially, immigrants to increase their employment rate.	Yes
Priority 2	Tax Reforms	Lower income taxes. In particular, lowering the marginal tax rate would have positive effects on long term growth.	No
Priority 3	Business Dynamics - Start-up conditions	Better incentives through employee stock options in order to attract and keep key employees. Reduce taxation on capital gains (as well as income tax), to simplify the accumulation of start-up capital.	No

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 4	Labour market mismatch and labour mobility	The Swedish Public Employment Service needs to be reformed. It is particularly important that the job matching services are exposed to competition.	No
Priority 5	Public sector efficiency	Increase competition in education and health care to improve efficiency and productivity.	No