

SPRING 2018 REFORM BAROMETER – SWEDEN

European Semester - Overall assessment of 2017 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (April 2017) is appropriate.	To some extent	Sweden has a high employment rate but there is still a need of more hours worked in the 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 about 9 years). More labour market reforms 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. There is for instance a necessity of reforms that would improve labour market efficiency and that would facilitate the job matching for people with lower qualifications.
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.
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. We would like to stress that the future implementation of macroeconomic stability measures must not lead to an unnecessary curbing of loans to the corporate sector. The key issue for Sweden is the indebtedness of households, not firms. Therefore, measures should be implemented in a careful manner.

Assessment of Country Specific recommendations 2017 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Address risks related to household debt, in particular by gradually limiting the tax deductibility of mortgage interest payments or by increasing recurrent property taxes, while constraining lending at excessive debt-to-income levels. Foster investment in housing and improve the efficiency of the housing market, including by introducing more flexibility in setting rental prices and revising the design of the capital gains tax.	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. We would also like to stress that increasing recurrent property taxes is not in line with what our Federation suggests as an appropriate means to deal with the increased indebtedness among households.

Reform Progress in your Member State in 2017

How would you assess reform progress in 2017, 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 2018

	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 immigrants, elderly and young people to increase their employment rate.	Yes and no
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.	Yes and no
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